

Business in Germany? Landesbanken Sparkassen

FINANCIAL TIMES

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Friday October 31 1980

*** 25p

LONGINES World's Most Honoured Watch

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NEWS SUMMARY

GENERAL

Reagan loses policy adviser

Mr. Richard Allen, chief foreign policy adviser to Mr. Ronald Reagan, yesterday resigned his post amid allegations about his business activities. Mr. Allen, a candidate for the job of National Security Adviser if Mr. Reagan wins the presidential election, said the charges—arising from articles in Wall Street Journal about his relationship with Japanese businessmen since he worked in the Nixon White House—were "shot full of holes". Colleagues said he resigned to avoid becoming an election issue.

Meanwhile, as the campaign for the presidency neared its end, Mr. Reagan accused President Carter of inability to handle the economy, while Mr. Carter accused him of being misguided on foreign policy, social and racial issues. Back Page: Page 6

Ecevit resigns
Bulent Ecevit, former Turkish Prime Minister, resigned as leader of the social democratic Republican People's Party. He spent four weeks in exile after last month's army coup. Page 2

Royal gratitude
In a friendly farewell message, the Queen referred to King Hassan's "extremely warm and generous hospitality" and thanked him for his "personal interest" in her Moroccan visit.

Hostage boycott
Planned discussion of the U.S. hostages was abandoned when a boycott by about 20 Deputies left the Iranian Majlis (Parliament) short of a quorum. Page 6

PC loses job
PC Stephen Hocking, 19, who got his arm in a bomb explosion at a London police station this year, has been discharged from the force for medical reasons.

Face law reform
weeping changes to South Africa's race laws, tightening strict control but making black workers more mobile in cities, are proposed in draft Bills. Page 4

terrorist suspect
Police said two Italians held for a raid on a London restaurant were not responsible for the Bologna railway station bomb, but one was wanted for extradition to Italy on terrorist charges.

eking blast
bomb blast at Peking railway station which killed nine and injured 81 was apparently a terrorist act, the first in China for any years. Page 3

on Bella freed
gerian President Chadi Medjedj has lifted restrictions on the freedom of the country's president, Ahmed Ben Bella. He was imprisoned for years and recently under arrest. Page 4

uel purpose
icious "umbrella sword" carried by two London model dealers were confiscated as offensive weapons by magistrate. He was told they were common protection among model dealers against muggers.

ieffy ...
servants dyed 700 kg grey seal pups red to stage next week's annual rmer Maltese Premier Dr. George Bugeja Olivier died.

HIEF PRICE CHANGES YESTERDAY
rices in pence unless otherwise indicated)

RISES
thornly levs. 50 + 7
rtals 66 + 3
Shipping 125 + 2
mbro Trust 138 + 7
mbros 705 + 27
pworth (J.) 100 + 5
dine Metheson 285 + 27
an and Scott 175 + 25
mons 44 + 8
en Owen 122 + 6
fe and Nolan 74 + 4
a Holidays 212 + 9
ardard Telephs. 483 + 15
"Key Explorer 253 + 7
mah Oil 205 + 7
1. Coal. Gas 250 + 17
SMO 583 + 17
li Transport 474 + 8
"lebest 445 + 11
es Mining 70 + 5

BUSINESS

Oils at all-time high; \$ improves

● EQUITIES: oils led an otherwise uninspired market. The sector index reached an all-time high of 1,015.33, up 1.6 per cent, after analysts forecast crude prices would rise 20 per cent by the end of the year. The FT 30-share index closed 0.4 down at 492.8. Page 40

● GILTS: the Government Securities Index closed 0.12 down at 71.30. Page 40

● WALL STREET was down 4.86 near the close at 924.32. Page 38

● DOLLAR improved generally, closing at DM 1.8980 (DM 1.8855), SwFr 1.7110 (SwFr 1.6960), and Y210.40 (Y210), checking its recent decline. The trade-weighted index rose to 85.2 (84.9). Page 29

● STERLING closed 30 points down at \$2.4285, but its trade-weighted index was unchanged at 79.0. Page 29

● GOLD fell \$1 to \$642.50. Page 29

● MOROCCO was given a three year stand-by credit of \$1bn by the International Monetary Fund. Page 3

● CHEMICAL industry leaders warned the Government to decide before Christmas on the use of North Sea gases as petrochemical raw materials, or face losses of over £100m a year. Page 11

● ENERGY consumption in the June-August quarter fell 6.6 per cent against the same period in 1979. Page 11

● STEEL committee of the OECD said Western companies have cut 100,000 jobs this year, and predicted more reductions soon. Page 2

● JAPANESE vehicle exports to the UK fell 37 per cent in September. Exports to West Germany rose 60.7 per cent.

● CONSUMERS' Association started a campaign against tighter controls on textile imports. Page 11. French companies plan merger. Page 32

● VISA, the international banking group, is expanding its UK travellers cheque operation through the Trustee Savings Bank, which will issue its own sterling cheques from Monday. Back Page

● IVECO, Europe's second largest commercial vehicle group, said managing director Frank Tinsdale has resigned. Page 10

● UDS retailing group is to close 110 menswear shops, with the loss of 500 jobs, and will merge its John Collier and Alexandre chains. Back Page

● INTERNATIONAL HARVESTER, the U.S. tractor manufacturer has introduced a one day week at two UK plants. Page 10

● QANTAS arranged a \$8106.7m (£51.2m) leverage leasing package, Australia's largest, to finance aircraft purchases. Page 32

● KLM-Royal Dutch Airlines expects to make a loss this year, the first for five years. Page 32

● COATS PATONS, textile group, reported interim profits down from £31.05m to £26.68m before tax. Page 24, and Lex. Back Page

● WILLIAM PRESS and Son, mechanical engineering contractor, said first-half taxable profits fell from £4.73m to £3.21m. Page 24

● J. HEPWORTH and Son, multiple tailor, announced pre-tax profits down £0.83m for the year at £5.71m. Page 24, and Lex. Back Page

Edwardes may try to force 6.8% settlement at BL

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

SIR MICHAEL EDWARDES, the BL chairman, is expected to try to force through a 6.8 per cent pay deal in spite of its rejection by 35,000 workers at mass meetings yesterday. Preliminary figures issued by the company last night suggested that 35,000 workers at 15 plants had voted to reject the deal and pursue strike action, with nearly 81,000 at 19 plants in favour of acceptance. The extent of shop floor opposition, particularly at the Cowley, Oxford, plant, where the 11,000 production workers had not been expected to back militant action, surprised union leaders and militants. In what could prove a key test of Government efforts to hold down pay rises, there can be no mistaking the unrest among BL workers: who feel they have accepted a series of low wage increases at a time of mounting inflation.

Mrs. Margaret Thatcher, the Prime Minister, expressed concern in the Commons at the workers' decision. But she made clear the problems of BL would be left to Sir Michael and his board. He has already warned the workforce that the company has been pushed to the limit and unions should not put jobs at risk by striking. "There is not a penny more to be had—and that means not a penny more," he has said.

Mr. Michael has a reputation for sticking to his word, and there is no apparent room for compromise. BL insisted last night that while the management was prepared to talk to the unions at any time "there is no way that there can be an increase in the offer."

Union leaders and senior shop stewards meet in Coventry on Monday, to assess support for the proposed strike in pursuit of a 20 per cent pay rise.

Continued on Back Page

HOW BL WORKERS VOTED

| FOR | AGAINST |
|---|--|
| Longbridge, 15,000 | Land-Rover, Solihull, 5,000 |
| Cowley assembly, 5,000 | Land-Rover, Acocks Green, Birmingham, 1,000 |
| Cowley body, 6,000 | Land-Rover, Tyseley, Birmingham, 1,500 |
| Cowley parts division, 1,100 | Castle Bromwich, Birmingham, 1,500 |
| SJ Carpenters, Birmingham, 600 | Alford and Alder, Hemel Hempstead, 600 |
| Beams Foundries, Tipton, 1,000 | Oxford Exhausts, 500 |
| Drews Lane transmissions, Birmingham, 2,500 | Reasby, Leicestershire, 500 |
| Land-Rover, Perry Road, Birmingham, 250 | Canley Engines, Coventry, 1,400 |
| Land-Rover, Perry Barr, Birmingham, 250 | Jaguar Engines, Coventry, 2,500 |
| Dunstable, 200 | Land-Rover chassis, Garrison Street, Birmingham, 750 |
| Llanelli Pressing, 1,200 | Rover cars, Solihull, 2,500 |
| Beams Engineering, Birmingham, 100 | Rover, Cardiff, 600 |
| Coventry Engines No. 2, 50 | Jaguar assembly, Coventry, 5,000 |
| Swindon (TGWU only), 1,600 | Coventry Engines No. 1, 2,000 |
| Cowley KD, 150 | Cowley Engineering, Birmingham, 300 |
| TOTAL 35,000 | West Yorks Foundries, Leeds, 1,000 |
| | Sutcliffe Electric, Leyland, 250 |
| | Wellingborough Foundries, 450 |
| | *Speke, Liverpool, 1,000 |
| | Cowley body toolmakers, 1,300 |
| | TOTAL 30,700 |

* Voted to reject pay offer but also to reject strike call.

Brezhnev supports Polish co-operation with unions

BY CHRISTOPHER BOBINSKI AND ANTHONY ROBINSON IN WARSAW

MR. STANISLAV KANIA, the Polish Communist Party leader, returned from Moscow yesterday after securing the backing of the Soviet leadership for Poland's present policies of co-operation with the new independent unions.

Polish television news and the Soviet news agency Tass both reported last night that Mr. Leonid Brezhnev, the Soviet president, had "expressed his confidence of all Soviet Communists and of Soviet society that the Polish working class will resolve its acute political and economic problems."

The Polish TV commentary said that the meeting between the two leaders took place in an atmosphere "of sincerity and complete unity of views."

It also reported that economic matters played a large part in the Moscow discussions, and that the Polish side "had presented suggestions to ensure fuller utilisation of Polish industrial potential." Observers here

interpreted this as a request for further Soviet supplies of food and of raw materials required by Polish industry.

Contrary to earlier speculation that Mr. Kania had been summoned to Moscow, the Poles said the meeting took place at Mr. Kania's request. The Polish leaders are believed to have expressed their concern at the latest East German restrictions

on Polish-East German travel, and reports that Czechoslovakia was about to do the same.

Leading members of the Soviet Politburo, headed by Mr. Brezhnev and Mr. Nikolai Tikhonov, the recently appointed Prime Minister, turned out at Moscow airport to welcome Mr. Kania and Mr. Jozef Pankowski, the Polish Premier, with the traditional bear-hug embrace.

The trade union leaders, headed by Mr. Lech Walesa, were also meeting in Warsaw last night to prepare their position.

The unions have prepared a 10-point programme of requests, of which the five most important are full legal registration on the union's terms, the right to a trade union newspaper and access to the broadcast media, the registration of an independent farmers' union, more equitable distribution of wage increases, and a halt to the deteriorating situation in the shops.

Union unrest spurs impatience: E. Germany makes Kania task difficult, Page 2

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Further sign of recovery in U.S.

By Jurek Martin, U.S. Editor, in Washington

FURTHER EVIDENCE of the recovery of the U.S. economy from its summer recession came yesterday in the announcement that the Government's Index of Leading Economic Indicators had risen by 2.4 per cent in September over the August level.

The rise is the fourth in a row, after nearly a year of monthly falls. Designed to project future economic activity, the index's rule of thumb is that if it moves up or down for a minimum of three consecutive months a new economic trend has been established.

The index is probably too obtuse to have much political impact on the Presidential election next Tuesday. Although it tends to bolster President Jimmy Carter's case that the economy has turned round, he has generally tried to avoid an economic debate with Mr. Ronald Reagan, because too many of the other numbers (inflation and unemployment) can be more effectively used by his challenger.

But the rise in the index may aggravate the pre-election tension already evident on Wall Street. The markets are concerned that if the evidence of economic recovery is compounded today by a further surge in the money supply the Federal Reserve may have no alternative but to tighten credit, push up interest rates again and thus risk choking off the recovery.

On the Wednesday the commercial banks lifted their prime lending rates to 14 1/2 per cent, an action delayed by 24 hours because the banks were unwilling to do anything controversial immediately before Tuesday night's televised debate between Mr. Carter and Mr. Reagan.

September's rise in the index, according to the Commerce Department's preliminary figures, follows a revised 1.7 per cent advance in August and a record 3.6 per cent rise in July.

The biggest contributor in the September figures was the improvement in the worker lay-off rate. Seven of the other nine available components also pointed to recovery.

5 in New York

| | Oct. 29 | previous |
|-----------|--------------|--------------|
| Spot | \$4,376.4350 | \$4,360.4370 |
| 1 month | 0.570-0.580 | 0.470-0.410 |
| 3 months | 1.00-0.85 | 0.82-0.85 |
| 12 months | 1.80-1.70 | 1.45-1.58 |

Cabinet may be split on further cuts

BY RICHARD EVANS, LOBBY EDITOR

A FIERCE rear-guard fight by departmental Ministers over Treasury demands for further public expenditure cuts of more than £2bn is being planned at a special Cabinet meeting called by Mrs. Thatcher for next Tuesday.

This follows a 31-hour Cabinet meeting yesterday, when Ministers discussed the subject of the substantial further cuts required for next year, which threaten to divide deeply both the Cabinet and Conservative backbenchers.

No decisions were reached but it was clear afterwards that the Ministers whose departmental budgets are most affected are not accepting individual Treasury demands as justified or the battle as lost. The overall strategy of mine need for further cuts was apparently accepted, but the means by which this is to be achieved remains to be decided.

Tensions within the Cabinet are more acute than at any time since the May 1979 election, and the outcome of the negotiations over the next few weeks will determine the future direction of the Government. It is possible that Ministers will not be able to agree on a range of cuts that will amount to the total demanded by the Treasury.

Several more Cabinet meetings will be required after next Tuesday because of the complexity of the issues and the likely scale of the resistance. But the target date for completion of the review is the third week of November.

There is no sign of Cabinet resignations but these could be in prospect if Treasury Ministers win their battle to cut the defence budget by £400m to £500m.

Joseph in £1m share deal

BY CHRISTINE MOIR

MR. MAXWELL JOSEPH, chairman of Grand Metropolitan, the hotels and breweries group, has raised just over £1m from selling 646,000 Grand Met shares—about 10 per cent of his personal holding—over the past five days.

Mr. Joseph was not available to comment on the sale yesterday but a spokesman said that it had been made "to repay personal bank loans."

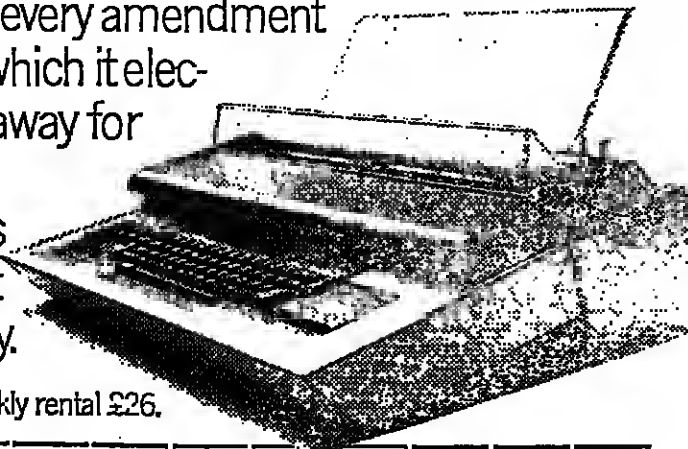
Part of the stake was sold at 164p, and the remainder at 165p, the price at which the shares closed in the market yesterday.

Earlier this week, Mr. Joseph confirmed another personal deal by which he stands to raise just over £5m. He announced his intention of accepting an offer from Transport Development Group for his 23 per cent stake in Giltspur, an industrial holding company of which he was once chairman and is still a board member.

His decision surprised the market as Giltspur's Board had voted to reject TDG's offer.

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EUROPEAN NEWS

RENEWED UNION UNREST SPURS GROWING IMPATIENCE AMONG ALLIES

Poland tries to calm Moscow's suspicions

BY ANTHONY ROBINSON IN WARSAW

THE FIRST visit to Moscow by Mr. Stanislaw Kania since his appointment as leader of the Polish Communist Party proved to be a fleeting affair which brought him back to Warsaw only hours after his departure.

There was hardly time for a full-scale examination of the Polish situation by the Soviet leadership. This alone lends credence to Polish officials' insistence that Mr. Kania went to Moscow, not at the urgent behest of the Kremlin, but rather at his own request, to explain the Polish position at a crucial stage in negotiations between the party, the Government and the new independent trade unions.

For over two months the Soviet Union and its allies have stayed on the sidelines watching the dismemberment of the official trade union structure and the growth of a new movement and independent of party control. Over the past 10 days or so, however, they have been showing increasing signs of impatience and suspicion.

The catalyst for this change of mood appears to have been the angry trade union reaction to the arbitrary insertion of a new clause into the statutes of the Solidarity union specifically acknowledging the leading role of the party in the state.

Polish officials in Warsaw are at pains to play down the significance of this clause. They insist that it is in conformity with the spirit of the famous Gdansk

agreements of August 31 and that the Government has kept its part of the bargain by registering the union and giving it legal status.

The union leaders, and their worker members, think otherwise. But while the labour movement in general considers itself to have been short-changed by the Government, there is considerable disagreement over how to respond. The more militant sections are pressing for strike action.

Some 35 of the 39 speakers at Tuesday's heated union meeting in Gdansk argued for a cautious approach and against the strike action threatened by more militant groups. The militants are headed by the Gdansk presidium, whose headquarters in the Hotel Morski is the nerve-centre of the new union movement.

The emergence of different strands of opinion within the union movement appears to have confused the former clear and simple ideas which gave such force to the movement's hitherto undisputed leader, Mr. Lech Walesa. After arguing strongly for moderation during his triumphant tour of southern Poland last week, Mr. Walesa eventually came down on the side of those who argued that the union should threaten a strike if Mr. Josef Pinkowski, the Prime Minister, refused to remove the offending clause at

Prague keeps up pressure

BY OUR VIENNA CORRESPONDENT

LEADING CZECHOSLOVAK officials in Prague have again drawn a parallel between recent events in Poland and those of "anti-Socialist forces" during the 1968 Czech crisis. Mr. Karel Hoi Hoffmann, a Czechoslovak Politburo member and chairman of the country's trade union council, has sharply attacked the largest independent Polish union, Solidarity.

The Communist party's top ideological official, Mr. Jan Foltik, also warned in a recent statement to the Communist International conference in East Berlin that the class enemy was trying to exploit the mistakes of the

former Polish leadership for an attack on Socialism and Marxism-Leninism.

The statements come after three days of consultations between the Prague leadership and Mr. Andrej Kirdienko, secretary of the Soviet Central Committee, and one of President Leonid Brezhnev's closest colleagues in the Soviet Politburo.

The official trade union newspaper, Prace, also stated that the new Polish union movement threatened to manipulate the masses against their interests, violate laws and abuse the confidence of working people.

the meeting in Warsaw scheduled for today.

It is against a background of nervous neighbours, dissent within union ranks and growing shortages in the shops and of goods for export that Mr. Kania was invited to Moscow yesterday. The timing was highly significant. It under-

Warsaw's desire to secure Soviet understanding for events in Poland at a time when a crucial bargaining session affecting the

future of unio-Government relation was imminent.

According to highly placed officials here, the Polish party is united in its acceptance of the new trade union movement as a potentially key element in what is described as "Poland's renewal within the framework of Socialism."

"We emphatically do not want to fight the new trade unions but co-operate with them for the good of Poland as a

whole. We believe that if we Poles succeeded this, we will have a beneficial effect not only on Poland but on the entire international situation and on East-West relations," a top Polish official told British journalists accompanying Lord Carrington, the British Foreign Secretary, on his current visit to Hungary and Poland.

Today's talks between Government and unions in Warsaw were considered critical even before the Polish leader's trip to Moscow. The stakes have now been raised even further and the pressure on the union negotiators to find a compromise has become that much stronger.

For its part, the meeting of the Polish party politburo which Mr. Kania's trip to Moscow gave precedence the announcement of unmistakably clear signals that the "reformist" elements within the party who want to work with the new unions are in the ascendant. In return for acceptance of the "party supremacy" clause, pending a judgment on its validity by the Supreme Court, the party has clearly indicated its willingness to accept the full legal status of the new unions, increased access to the media, regular meetings between Government, party and union officials, consultation over economic and other policy matters and the other ingredients of Poland's putative "social contract."

Throughout that period Turkish politics were dominated by a power struggle between Mr. Ecevit and Mr. Süleyman Demirel, leader of the Right-wing Justice Party who led the government which was overthrown in the coup.

Mr. Demirel has so far made no comment on his own political future.

Mr. Ecevit said in a written statement announcing his resignation: "I decided to make my departure now as it seemed it would be inevitable in any case."

General Haydar Saltik, General Secretary of the ruling National Security Council, said after Mr. Ecevit and Mr. Demirel were released from their month long detention that they would be treated like any other Turkish citizens as regards their future political activity.

For East Germans, who are unable to travel to the West until retirement age, visa-free travel to Poland, and Czechoslovakia since 1972 had helped them to feel less locked up inside their own small country. But now currency restrictions are limiting access to Czechoslovakia and travel to Poland has effectively ended.

As if East Germany was passing judgment on political developments in Poland and will try to influence them.

Under the new border restrictions, East Germans and Poles can now only cross their joint frontier after producing an invitation from friends or relatives in the other country which has been endorsed by East German police.

East Germany's reasons for the restrictions also aroused strong Polish emotions. A commentary published in all East German newspapers said the "temporary" border measures would last until the "situation in Poland" was stabilised. It noted that the Polish communists and all "genuine Polish patriots" could count on East Germany's "unqualified support" in solving Poland's complicated problems and in strengthening socialism.

To Polish ears this sounded

Ecevit quits Turkish politics

By Metin Munir in Ankara

MR. BULENT ECEVIT, the former Turkish Prime Minister, yesterday left active politics indefinitely when he resigned as leader of the social democratic Republican People's Party.

Mr. Ecevit, who has been one of Turkey's most prominent political figures for the past 20 years, is believed to possess political reforms proposed by the military government.

The new military government announced this week that it was considering legislation which would place a limit on how long politicians could serve as party leader. Mr. Ecevit has been chairman of the RPP since 1972.

Mr. Ecevit was detained with Turkey's other three top politicians after the military coup which aimed to halt growing political violence.

Mr. Ecevit, 55, served as prime minister three times—in 1974 for nine months, in 1977 for nine months and from January 1978 to the end of 1979.

The effect of the proposed legislation would be to prevent most of the present political party leaders from resuming their posts once civilian government is restored. Several of them are at present in jail including Professor Nezzetdin Erbakan and retired Colonel Alparslan Turkes.

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EEC announces \$10bn oil facility details

BY LARRY KLINGER IN BRUSSELS

A DETAILED plan for an expanded "oil facility" to help EEC countries in balance of payments difficulties was proposed yesterday by the European Commission.

The proposals call, as expected, for the facility's present ceiling of \$3bn to be increased to \$10bn and include the potentially controversial provision for possible stiff conditions to be placed on the recipient countries.

Under the facility, which was first established in 1975, the European Community can lend money to member countries suffering large balance of payments deficits related to energy imports.

The new proposals do not specify where the money is to be raised, suggesting only that funds might be raised from "third countries, financial institutions and capital markets." But it is probable that the Community would go directly to oil-producing nations, before resorting to world capital markets. It is uncertain when the plan could be put into effect.

The Commission would like to present it for approval by the Council of Finance Ministers as soon as possible. However, the proposals must first be reviewed by the EEC Monetary Committee and the European Parliament. The next Finance Council is set for November 17.

Nevertheless, the Commission is confident of eventual approval since, as a spokesman said yesterday, there "was a strong consensus at the Council meeting in April."

However, while the document presented yesterday was vague

on the subject of "conditionality," leaving all decisions to the Council of Ministers at the time the facility might be taken up by a member-country, it does include possibilities for further Community involvement in member-countries' domestic economic policies.

The plan proposes that the Council shall decide "the economic policy conditions attaching to the loan (and) the techniques for disbursing the loan which may be paid in one amount or in several instalments; in the latter case, the payment of successive instalments may be subject to compliance with economic policy conditions."

The proposals also state that "where a member state receives a loan, the Commission, in consultation with the Monetary Committee, shall take the necessary measures to verify, at regular intervals, that the economic policy of this State accords with the conditions laid down by the Council."

And, where appropriate, shall pay the successive instalments on the basis of the development of the adjustment programme. To this end, the member state shall place all the necessary information at the disposal of the Commission. The Council shall decide on the adjustments to be made to the initial economic policy conditions."

The Monetary Committee has indicated in the past that it favours a range of lending conditions that would relate to the recipient's problems.

Sweden to close shipyard

BY OUR STOCKHOLM CORRESPONDENT

THE directors of Sweden's state-owned shipyard group, Svenska Varv, voted yesterday to press ahead with the closure of the ailing Öresund yard in Landskrona, despite strong union opposition.

The decision had been expected, and the close down is expected to begin immediately and be completed in 1983 at the latest. There are orders for two bulk carriers and two ferries which are expected to fill capacity until the middle of next year.

At present, only about 900 of the yard's 2,300 strong work force are actively working and the question now is how much money the board can secure from the government for retraining. It is understood to be seeking an initial SKr 600m (£58m). The yard is Landskrona's only major industrial employer.

The decision comes despite the failure of the government, which has only a one vote majority, to secure parliamentary approval for the closure

East German warnings make Kania's task difficult

BY LESLIE COLTITT IN BERLIN



Mr. Kania: Caught between Moscow and unions

The Soviet Union has largely left in its hands the task of issuing warnings about developments in Poland.

The East German leader, Herr Erich Honecker, recently raised fears over the Warsaw Pact's intentions towards Poland by saying East Germany and its friends would "make sure" that Poland remains a loyal ally.

He said Poland was confronted with the "subversive activities of anti-socialist forces" and noted that East Germany would remain "forever" at the side of Poles struggling to consolidate the "people's power."

Such militancy on the part of East Berlin places the Polish Communist Party under Mr. Stanislaw Kania in a difficult position. On the one hand he has been handed the job by Moscow to curb the power of the independent trade union movement. But in order to avoid

further labour upheavals in Poland, the Polish leadership has said it fully supports the new unions.

East Germany's repeated attacks on the new unions for being "anti-socialist" is seen by Polish officials as serving to unite all Poles both inside and outside the Communist Party.

Moreover, East Germany's move on Wednesday to clamp down on private travel between the two countries—designed to prevent East Germans from being influenced by what their country's leadership calls "counter-revolutionary elements" in Poland—has awakened old animosities between Warsaw and East Berlin.

A high-ranking Polish Communist official, Mr. Eugeniusz Guz, expressed Poland's resentment in an interview with West German television.

This angered the East German communists because mil-

lions of East Germans rely on West German TV for information.

Mr. Guz said the border restrictions had been imposed entirely at East Germany's insistence and that the Polish authorities "greatly regretted" the step. He said many Poles had reacted emotionally to the East German restrictions.

East Germany's reasons for the restrictions also aroused strong Polish emotions. A commentary published in all East German newspapers said the "temporary" border measures would last until the "situation in Poland" was stabilised. It noted that the Polish communists and all "genuine Polish patriots" could count on East Germany's "unqualified support" in solving Poland's complicated problems and in strengthening socialism.

To Polish ears this sounded

OECD forecasts further steel job losses

BY TERRY DODSWORTH IN PARIS

THE CURRENT crisis in the Western steel-making industry has already forced companies in the U.S. and Europe to axe 100,000 jobs during the course of this year, and will lead in considerable further reductions in the next few months.

This gloomy outlook emerged yesterday from a meeting of the Organisation for Economic Co-operation and Development's steel committee, which said that the industry was now in the grip of the second worst production slump since World War 2.

Total steel output in the OECD area in the third quarter was 15 per cent below the same period last year, while demand

in many of the main OECD countries was still falling.

The figures come on the eve of talks in Luxembourg aimed at settling national production quotas for the European industry. They show that the current round of job cuts has been particularly severe in the OECD area and this year's figures compare with 38,000 in 1979, and a total of 190,000 in the 1974-75 period.

The steel committee was set up two years ago to act as a forum for Western governments in their efforts to co-ordinate the rationalisation of production which was going on throughout the industry.

Following yesterday's meeting, Mr. Boh Hormats, committee chairman and U.S. deputy Special Trade Representative, said that the committee had agreed that the present situation underlined the need to accelerate this reorganisation and bring capacity more in line with long-term demand.

The current decline in production mainly reflects reduced demand for steel within the OECD area. But as well as reduced demand there is a continuing need for structural change in the industry.

Mr. Hormats stressed the committee's view that reorganisation of the industry must be

an integral part of any action to limit free trade in steel within the OECD area.

The recent American decision to bring back the trigger price mechanism to control steel imports, has been well received by other countries, he added. The U.S. administration has made it clear that the steps would be accompanied by efforts at restructuring.

Similarly, the U.S. has indicated in European countries that the proposed Luxembourg measures are acceptable, but should not lead to increased exports to America, or undue restrictions on European imports.

West German economy 'solid,' say Swiss

By John Wicks in Zurich

SWITZERLAND sees no lasting weakness in the D-Mark's exchange rate, and has seen no reason to participate in interventions to support it, Dr. Pierre Languet, speaking for the Swiss National Bank's directorate, said in Bern yesterday.

He attributed the current situation in the difference between U.S. and West German interest rates, and stressed the "solidity and equilibrium" of the West German economy.

In the first three quarters of this year, the National Bank had sold a total of SwFr 7.4bn-worth (£1.8bn) or dollars for general intervention purposes. Of this sum, SwFr 5.9bn was accounted for alone by the first quarter, when the Swiss franc itself was weak.

Dr. Fritz Leutwiler, the bank president, said the National Bank had been asked by the Federal Council which form of possible future "bank client tax" would have least economic and monetary disadvantages.

The least disadvantageous alternative would be the introduction of a "limited" withholding tax on fiduciary accounts. The National Bank was starting to feel concerned at the rapid growth of this sector of banking business.

But the bank was decidedly opposed to the suggested imposition of a 35 per cent withholding tax on domestic holders of foreign bonds denominated in Swiss francs.

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A FINANCIAL TIMES SURVEY NETHERLANDS

DECEMBER 8 1980

The Financial Times proposes to publish a survey on the Netherlands in its edition of December 8 1980. The provisional editorial synopsis is set out below:

INTRODUCTION The Government has survived a number of crises over issues such as the modernisation of nuclear weapons and a proposed embargo on oil exports to South Africa. Despite its narrow parliamentary majority it has almost lasted its full term and faces a general election in May. The Netherlands' pressing economic problems seem certain to play a major part in the election campaign.

Editorial coverage will also include:

POLITICS The Christian Democrats and Liberals have formed a surprisingly effective coalition government over the past three years though Conservative cabinet policies have alienated the Christian Democrats' large Left-wing. While the Christian Democrats have done well in recent polls the Liberals have been less successful. The Labour Party is keen to regain the place in government it feels it was cheated of in 1977.

THE ECONOMY The Netherlands has managed its economy more successfully than most of its neighbours though it is starting to feel the effects of the world recession.

FOREIGN POLICY The Dutch would like to conduct an idealistic foreign policy but find themselves restricted by their limited influence on world events.

ENERGY The Netherlands is making slow progress towards defining its energy strategies for the coming decades.

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مكتبة الشرق

Rupert Cornwell in Rome assesses Italy's 40th post-war Government Another fragile political child is born

POLITICS IS no exception to the general rule of Italian life that numbers on their own are not to be trusted. So it has proved with the launch of the new Government of Sig. Arnaldo Forlani, the 40th administration formed here since the end of the Second World War.

His theoretical parliamentary majorities, of 188 to 120 in the Senate, and of 382 to 250 in the Chamber of Deputies, might make Mrs. Margaret Thatcher of Britain or Chancellor Helmut Schmidt of West Germany envious. Yet the early signs are that, despite the Government's broad base, this latest coalition of Christian Democrats, Socialists, Social Democrats and Republicans—the classic centre-left formula of the mid-1960s and early 1970s—may be as fragile a creature, as most of its predecessors.

The enthronement of the Government is part of a peculiarly bewildering period in politics here, an instructive lesson on how to make a bad job worse. It is a span of more than 24 hours. A month ago, Sig. Forlani's predecessor as Prime Minister, Sig. Francesco Cossiga, fell victim to a parliamentary ambush. The Communist Party was rampant, the Fiat crisis was in full swing, and events then seemed a severe setback for the ambitions of Sig. Bettino Craxi, the Socialist secretary, to establish his party as a real third force in Italian politics.

Then everything was turned upside down. What looked one of the trickiest crises of recent times was settled with great acumen by Sig. Forlani, the Fiat dispute was suddenly resolved in a way which threw the Communists into disarray. Sig. Craxi, for his part, struck back with the energy and ruthlessness which are his hallmark. The rebellious Socialist left was routed from the party's higher councils, and an alliance was forged with the smaller Social Democrats, which might be the first step towards a new centrist



Sig. Craxi: energy and ruthlessness are his hallmark

grouping, less conditioned by Italy's two political superpowers, the Christian Democrats and Communists.

But that was a week ago. Since then, things have gone haywire again. Sig. Craxi used his speech in the confidence debate to reopen the argument on abortion, a topic which is dynamite in a country where the Vatican is just two kilometres from the national Parliament, and where the historical divisions between Catholic and anti-clerical parties have never been healed. Meanwhile, yet another scandal, this time over alleged fraud worth possibly £2,000bn (£814m) over unpaid duty on petroleum products, is simmering away. Its consequences are unpredictable.

These swings and roundabouts are, of course, a consequence of the general election

stalemate in June, 1979, when no party scored a clear-cut victory or suffered a clear-cut defeat. Indeed, Sig. Forlani, one of the wisest of the present Christian Democrat leaders, has been well aware of this, and only with some difficulty was he persuaded to give up the safe and influential position of party president to take on the infinitely risky post of Prime Minister.

His misgivings were clear in the sombre, pessimistic speech he made on Wednesday night, winding up the Senate debate on his government. Sig. Forlani warned of a world walking on the edge of catastrophe, and of an Italy which should pay close heed to what has happened in Chile and Turkey, not to mention the gathering economic difficulties which the new Government is due to tackle any day now. Most ominous of all, perhaps, was the fact that he felt obliged to appeal for unity between the four coalition parties, without even the few weeks of honeymoon which an incoming government usually enjoys. The reasons, however, were clear.

Sig. Craxi's onslaught on the Church for its encouragement of the move to put the existing 1978 abortion law to a referendum, for which 2m signatures have already been gathered, is plainly an attempt to put distance between the Catholics and the "lay" centrists he hopes will propel him one day to the Prime Ministership.

Even a more disciplined Socialist Party is therefore likely to be as uncomfortable an ally for the Christian Democrats as ever. The oil affair, for its part, has proved that scandals, like short-lived governments, are a constant of Italian political life. The exact motives behind this one are not yet clear. But Sig. Antonio Bisaglia, the powerful Christian Democrat Industry Minister, has already issued a blanket denial of any involvement, and the Press is in full cry after the supposed political "godfathers"

who lent their protection to the alleged fraud.

At a more mundane level, it is symptomatic that nearly five months after last June's local elections, several regional governments have yet to be formed. In Calabria and Sardinia, two of the most economically depressed regions, a veto from Christian Democrat headquarters in Rome has over-ruled the wishes of the local party's wish to join forces with the Communists to tackle acute local problems. This could easily exacerbate divisions not only between Christian Democrats and Communists nationally, but also between factions within the ruling party.

Such is the uncomfortable in-between of Sig. Forlani. Its most prickly part almost certainly will be abandoned. Indeed, some are already drawing the parallel between events now and in 1976, when the desire to avoid a divisive referendum on the subject was an ingredient in the early general elections that year.

Could history repeat itself? Sig. Craxi has been busy downplaying his remarks, and the Prime Minister has vowed to try to keep his government above the fray. "Some people may think Paris is worth a Mass," he observed in his speech. "But there are other, better people for whom a Mass or otherwise is worth far more than Paris." The best hope of avoiding a referendum perhaps lies in an agreed new Bill to amend the existing, moderately permissive, legislation. But that, too, will be difficult.

In the meantime, although predictions are impossible, simple arithmetic might suggest that a general election may come in 1981. Once, Parliaments lasted their full five years, then four years, then in the case of the 1979 Parliament, the lifespan of the 1979 Parliament might thus be simply calculated.

Nine killed in Peking station explosion

TERRORISM has apparently come to China with a blast at Peking Railway Station, which killed nine people and wounded 81 others, Tony Walker reports. Xinhua, China's official news agency, reported that the blast had been caused "by an explosive charge brought into the railway station by an unknown person." This is the first recorded act of terrorism in the People's Republic for a number of years.

The brief agency despatch said the blast occurred on the second floor of the station. One man died on the spot. According to the agency report, the railway station was only lightly damaged, and trains kept running as normal. No motive for the bombing was suggested.

Sihanouk leaves China

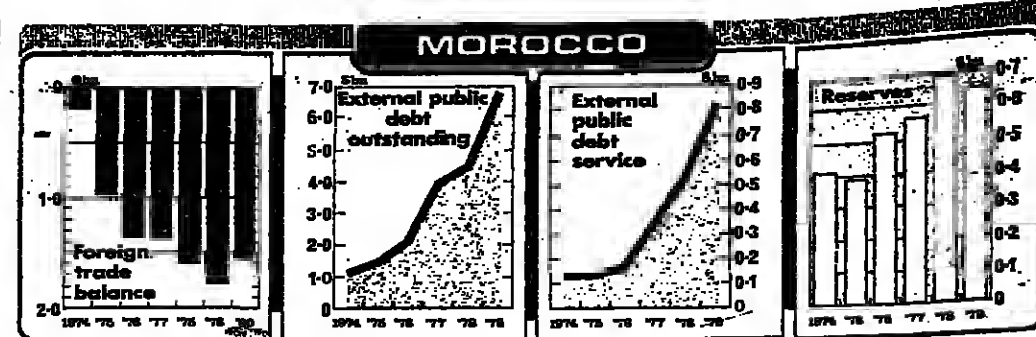
Prince Norodom Sihanouk, the former Kampuchean head of state, left Peking for Pyongyang, North Korea, yesterday, reaffirming that he would remain exiled in China and North Korea, and stay completely out of politics, Reuter reports from Peking.

Korea students held

At least six students were arrested after riot police wielding batons charged a crowd of 250 demonstrators calling for the resignation of President Chun Doo-hwan, at Yonsei University yesterday, Reuter reports from Seoul.

Diego Garcia anger

Sir Seewoosagar Ramgoolam, Mauritius' Prime Minister, yesterday attacked as "unreasonable" Britain's rejection of his call for the return of Diego Garcia, the Indian Ocean island used as a military facility by the U.S., AP reports from New Delhi.



IMF helping Morocco with payments problems

BY FRANCIS GHILES

THE International Monetary Fund has launched its second attempt to rescue a developing country facing severe balance-of-payments difficulties, by giving a three-year SDR \$10m (\$1bn) stand-by credit to Morocco. This follows the \$1.65bn credit for Turkey last June to help that country over severe balance-of-payments and debt-rescheduling difficulties.

High defence spending because of the Western Sahara war, which started in October 1974 and shows no sign of ending, rising oil prices, and declining world prices between 1976 and 1979 for phosphates, Morocco's main export, have combined to make life difficult for Morocco's planners and bankers.

The problems were aggravated during the last five-year development plan (1973-1977), when the planners gambled that they could increase capital investment sharply even after the abrupt rise in the price of oil and the fall in the price of phosphates.

The brakes were slammed on in the summer of 1978, and imports were severely curtailed. Prices were also increased for most capital goods and staple products. The result has been

an economic depression.

The Fund's stand-by credit is part of a larger agreement providing balance-of-payments support to Morocco. It will be financed from the Fund's ordinary resources (SDR 210m) and from borrowings in the supplementary financing facility (SDR 600m). The kingdom will also draw its first credit tranche with the Fund, which amounts to SDR 37.5m. Morocco will thus have at its disposal a total of SDR 847.5m.

The kingdom's payments deficit has grown steadily in the past seven years. The current account deficit alone more than doubled between 1975 and 1979, to Dirhams 61m (\$1.6bn). It could be as high as \$1.3bn this year, representing 9 per cent of gross domestic product.

Despite a 46 per cent increase in exports during the first six months of 1980, the trade deficit has increased slightly to Dh 3.5bn (\$875m), but the Moroccan authorities hope to hold the deficit for the year to \$1.25bn.

Morocco's hard currency reserves, which have never been high enough for comfort in recent years, plunged during the first nine months of 1980 from \$842m to an estimated \$270m, which covers about six weeks worth of imports.

Over the past six years, the hard currency debt has increased more than five-fold, to a projected \$7bn by the end of 1980, while external public debt servicing is projected at \$937m for 1980. The debt service ratio, calculated as a percentage of exports and net transfer payments, has risen from 4.9 per cent in 1974 to 21.19 per cent last year. It is not expected to move up much this year.

The official external debt figures are believed to include all debt incurred on the military account which has a maturity of more than 12 months. They do not include shorter-term facilities, especially those made available by some Arab countries, among them Saudi Arabia, which may be substantial. Moroccan borrowers have so far arranged one \$250m Eurodollar credit this year and another \$150m is being completed. Just over a third of the external debt is accounted for by Eurocredit financing.

Morocco can derive some comfort from the near doubling of phosphate prices—to \$46 a ton—during the first six months of this year. But the war in the Sahara goes on and oil prices look likely to rise further. The economic cure could be long and painful.

Irish balance of payments deficit forecast to fall in short term

BY STEWART DALBY IN DUBLIN

IRELAND'S BALANCE of payments deficit is expected to fall in the short term, along with inflation, but is likely to rise again subsequently, according to the latest quarterly bulletin from the central bank.

With the major components of expenditure—private consumption, investment and industrial exports—all appearing to be in decline, the balance of payments deficit could be lower than the £680m (£540m) forecast in the last bulletin. This compares with the £1,700m (£650m) achieved in 1979. That level was considered to be unsustainable given that Ireland has reserves of only £970m and a gross national product of around £8.3bn (£7.4bn).

The central bank says that the reduced deficit this year should not lead to misplaced

confidence because the underlying balance of payments position is still not healthy. When agricultural destocking ends, agricultural exports will be reduced, says the bulletin, and when the rundown in non-agricultural stock ceases to depress demand, imports will rise. Both developments are likely to occur next year and could easily lead to a renewed widening of the payments deficit.

On inflation, the Bank says it is adhering to its earlier forecast of an 18.5 per cent year-on-year increase on current trends. Indirect tax increases accounted for about half the rate of increase in the last quarter so a fall in the rate was to be expected.

The Bank seems to feel that, with a fall-off in the rate that

prices are rising in all commodity groups, there could be an easing of inflation providing there are no further sharp rises to the price of oil or in indirect taxes.

This is good news for Mr. Charles Haughey, the Irish Prime Minister, who faces the first critical test of his premiership in a by-election in Donegal on November 6.

Less cheering for him, however, is the Bank's forecast that the Exchequer borrowing requirement will top £1.1bn (£980m), compared with the budgeted figure of £1.056bn (£800m). This means a public sector borrowing requirement of the order of 14 per cent. The Government had promised to reduce it to around 7.4 per cent.

Barre urges caution over IMF aid to Third World

BY BRIJ KHINDARIA IN GENEVA

WORLD-WIDE inflation will worsen if the International Monetary Fund expands liquidity too quickly through its efforts to increase lending to developing countries, M. Raymond Barre, the French Prime Minister, said here.

Addressing a private meeting at Geneva's School of International Studies yesterday, M. Barre said the IMF should exercise great caution in the way in which it uses recent reforms which allow it to raise more money and place less stringent terms on loans.

M. Barre also called for prudence in giving commercial banks a larger role in transferring surplus revenues from oil exporting nations to developing countries.

"Private re-cycling of capital has to have limits or the international banking system's solvency will be jeopardised," he said.

The oil-exporting countries and East European countries must shoulder a larger share of financial aid to the Third World. Despite economic troubles, members of the Organisation for Economic Co-operation and Development, which groups 24

industrialised countries, gave \$22bn in official aid to developing countries last year, compared with about \$5bn given by oil exporters and less than \$2bn given by the Soviet Union and its East European partners.

M. Barre described as unrealistic a proposal made by the Brandt Commission to create an international tax whose proceeds would be given to poorer nations.

Developing countries should voluntarily control sensitive exports such as textiles and steel to stem the industrialised nations' increasing trend towards protectionism," M. Barre said.

Chairman's award

Sir David Barrow, chairman of the Midland Bank and former top Shell executive, is to receive the Commander's Cross of the West German Order of Merit next week, in recognition of his work for the research and friendship organisation, the Anglo-German Foundation.

N. Sea warning by Danish Government

By Hilary Barnes in Copenhagen

THE DANISH Government has warned the A. P. Moeller company that it will use legislation to recover by 1985 the rights to all so far unexplored areas of the Danish sector of the North Sea, if the company will not reach an agreement voluntarily.

Moeller has a 50-year exclusive concession, signed in 1962, to search for hydrocarbons in the Danish sector. It exercises the concession with the Danish Undersea Consortium which includes Shell, Chevron and Texaco.

The Government is believed to have presented a draft agreement to the company under which 50 per cent of the unexplored areas would be returned on January 1, 1985, and the remainder on January 1, 1988. It also wants a guarantee that all oil and condensates from North Sea oilfields will be piped to Denmark through a State-owned pipeline at a tariff to be set by the Government.

The State is further demanding a right to purchase half of all hydrocarbons produced by the DUC at the going market price. It makes no claims to the oil and gas fields already found by the consortium.

Civil servants strike in Greece

BY VICTOR WALKER IN ATHENS

GREEK CIVIL servants begin a 48-hour strike today to back demands for automatic wage and salary adjustments in line with the cost of living and a five-day week. The co-ordinating committee of civil service unions says the strike will involve 200,000 employees of ministries, local authorities and public services, including school teachers.

Meanwhile, annual negotiations on a new collective wage agreement opened yesterday between the Greek

General Confederation of Labour and employer organisations in the private sector. The automatic link between incomes and inflation is top of the list of union demands.

The Confederation has warned it will call a 24-hour general strike if agreement has not been reached by the middle of November.

Today's stoppage by civil servants coincides with a three-hour strike called by bank employees in the Athens area. They, too, are demand-

ing automatic pay adjustment and a series of nationwide two-day and three-day strikes next month.

The insistence of both public and private sector unions on tying incomes directly to the cost of living follows two successive years in which annual salary increases negotiated to percentage terms have failed to keep pace with a 25 per cent inflation rate, and the admitted prospect that inflation will be at least as high in 1981.

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OVERSEAS NEWS

South Africa to streamline race laws

BY QUENTIN PEEL IN JOHANNESBURG

SWEEPING CHANGES to streamline South Africa's race laws and the massive bureaucracy which controls the lives of all urban blacks in the country were proposed by Dr. Piet Koornhof, the Minister of Co-operation and Development, yesterday.

They are aimed at making black workers more mobile within urban areas, while tightening the enforcement of influx control, which rations the numbers of rural blacks allowed into "white South Africa."

At the same time, the South African Government published new rules for the extension and consolidation of the tribal homelands, intended to respect economic rather than political priorities.

The three draft Bills published today by Dr. Koornhof's department, which is responsible for all regulations affecting the majority black population of South Africa, would scrap the present laws enforcing influx control, and replace them with restrictions based solely on employment and housing.

The proposed reforms are intended to implement the recommendations of the Riekert Commission, which sought to modernise and make more

economically efficient the whole apartheid system.

Whereas previously, blacks were only allowed to stay in urban areas if they had been born there, or worked there for at least 10 years for one employer—or else were simply there as contract migrant workers from the tribal homelands—the new rules simply stipulate that blacks in urban areas must have a job and adequate housing.

They also propose to extend the present restriction on blacks visiting urban areas from 72 hours to 30 days.

Dr. Koornhof said the reforms were intended to do away with the daily enforcement of pass laws, which result in some 700,000 prosecutions every year for technical offences. He promised that the passes themselves would shortly be replaced by new identity documents similar to those carried by whites.

The Bills also contain plans for black urban councils to be placed on a par with white councils—although still subject to a white bureaucracy.

Greater labour mobility will be provided by reducing the number of black administrative areas from the present 600 to only 14—within which urban blacks will be allowed to move relatively freely.

Kaunda reports Pretoria tanks on Zambian border

BY MICHAEL HOLMAN IN LUSAKA

PRESIDENT Kenneth Kaunda alleged that a group of Zambians had bled a gang of "Kangas" from South Africa had hacked efforts to overthrow the Zambian Government in mid-October.

He told a crowd of several thousand supporters in the grounds of State House that the South Africans had "tanks, troops and armoured cars" opposite the Zambian border town of Sesheke, ready to move in support of the plotters.

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alleged that a group of Zambians had bled a gang of "Kangas" from South Africa had hacked efforts to overthrow the Zambian Government in mid-October.

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Earlier this week Dr. Kaunda

One of us is an innovator in the North American steel industry.

Roger Matthews reports from the front in occupied Iran

A sniper's reply to the fall of a city

KHORRAMSHAHR, until six weeks ago Iran's premier commercial port and home for 300,000 people, is now a devastated and still disputed city.

The first journalists to penetrate beyond the port area since the Gulf war began can confirm that Iraq is in command of the northern part of the town which it has re-named Mobammara.

But on the southern bank of the Karun River, which bisects the town from east to west, there is still resistance from Iranian forces. The Iraqis describe the south bank as Abadan, although the centre of the oil-refining town is some five miles from the most forward Iraqi positions on the northern bank. The refinery area is further south still.

Iranian snipers control the vital 250-metre city-centre bridge in Khorramshahr and no

attempt has yet been made to storm it.

The group of international reporters taken to the north bank of the Karun yesterday to confirm the often-repeated Iraqi claims to have captured Khorramshahr, twice came under sniper fire and were pinned down for some time.

Three reporters returning from local command headquarters were caught in the open with bullets kicking up the dust near them and had to crawl on their stomachs, then sprint their way to relative safety under heavy Iraqi covering fire.

Slightly further to the rear, a mortar bomb later crashed into the roof of the civil Governor's office which was captured by the Iraqis after recent and heavy house-to-house fighting. The bomb exploded little more than 40 yards from

where the visiting party was waiting to leave.

Scarcely a house or building in Khorramshahr seems to have escaped the damage. Where holes have not been blasted in the sides of buildings they have been badly damaged by small-arms fire. The streets are pockmarked by shell blasts, unexploded mortar bombs are often imbedded in the road, telephone and electricity lines torn down and trees cut off at the trunk.

During a tour of the city, only five civilians were seen—four elderly people and a small child. The huge exodus of Iranians that must have taken place is illustrated by the presence of only the occasional burned-out and bullet-ridden car.

The interiors of once-prosperous homes have also been torn apart although they have not yet been emptied of everything.

At one checkpoint yesterday, an army lorry had been stopped by military police and was being forced to unload its haul of booty.

The port area has also been badly hit. Five ships have in the past week been moved further up the waterway to take them out of range of Iranian artillery but two remain tied up against the quay.

Many thousands of containers are stacked in one area of the port, some empty, others blackened by fire, and still more emptied by the advancing forces. It is understood that the combination of damage to buildings and the silting up of docking areas, previously dredged weekly, will mean that the port will be out of action for some period after a peace agreement.

But even a ceasefire still seems far away. Against the background of intermittent

artillery exchanges, Iraqi engineers were yesterday working to complete the resurfacing of the road that leads from the horder into Khorramshahr.

Surface-to-air missile batteries had been brought up and amphibious vehicles were also being transported towards the front line.

Any peace settlement is also bound to be complicated by the huge damage that Iranian cities have suffered. It will take years of substantial investment before Khorramshahr can return to its previous state and it is likely that Abadan and its adjoining refinery are in a similar condition.

It will be difficult for the Iraqis to hold out in Abadan for much longer. The island is virtually surrounded and cannot be resupplied. Iraq therefore continues to lob shells into the town and any decision



to move in on foot will have to be taken by the political leadership in Baghdad.

Meanwhile, Iraq continues to attack Dezful and Ahwaz, the two other principal towns in the oil-rich province of Khuzestan, referred to in Iraq as Arabistan.

Iran may find Shah's fortune is a mirage

BY ANDREW WHITLEY IN WASHINGTON



The late Shah of Iran. Informal checks on his U.S. assets have "turned up very little."

THE LATE Shah of Iran's fortune may be a mirage, at least as far as his wealth in the U.S. is concerned.

U.S. Administration officials appear to have grasped this fact. At the same time they are well aware it will be extremely difficult to convince the Iranian revolutionaries demanding the return of "the Shah's property" looted from Iran.

Although this demand was one of the four key conditions outlined by Ayatollah Khomeini on September 12 for the release of the 52 U.S. diplomatic hostages, the U.S. Government has not yet formally checked the full extent of the former ruler's assets in this country.

Officials involved in the current freeze on \$8bn worth of Iranian government assets say there would be no legal obstacle to the President issuing a similar order to the banks requiring them to reveal, in confidence, any holdings in the name of Mohammed Reza Pahlavi and his immediate family.

The absence of banking secrecy regulations, like those applied in Switzerland and elsewhere, would allow even "blind" trust accounts to be covered.

Officials are confident, therefore, that they could get a full and accurate picture of the Shah's holdings.

Such a census would be much simpler and therefore quicker to complete than the earlier one, when the banks were given 30 days to comply. The biggest problem would be in deciding where to draw the line among the Shah's relatives.

Publicly, the Administration's position is that it is awaiting the outcome of the current parliamentary debate in Tehran on the hostages before deciding on its next steps. In the meantime it repeats blandly—and not wholly convincingly—that the U.S. courts are open to any action Iran may wish to undertake to recover the Shah's wealth.

Eleven months ago, the Iranian Government launched a suit in the New York State Supreme Court for \$20bn it said the Shah and Empress Farah had stolen, and a further \$36.5bn in punitive damages. But the evidence presented to justify the claim was scanty.

One key official confirmed yesterday that informal checks on the possible extent of the Shah's U.S. assets have already been

carried out at the direction of the White House. These "turned up very little," he said.

During Iran's boom years in the 1970s, the Iranian royal family, probably including the Shah himself, made substantial investments in the U.S.

However, some people close to the royal family insist that the Iranian monarch owned very little in the U.S. Just before his death, in contrast with his property in Europe and Iran. On the other hand, three of his sisters—Asraf, Shams and Fatima—are all known to own substantial amounts of land and property here.

A widespread feeling within the Administration is that whatever liquid assets the Shah had in the U.S. in the form of bank deposits and short-term bills when the hostages were taken a year ago have already been transferred out of the country, in anticipation of the kind of controls which may come within the next fortnight.

What remains is unlikely to satisfy Tehran's original demands for the return of the Shah and his wealth. This is estimated at anything between 200m and several bn dollars, depending on whether his

former assets within Iran and those controlled by his charitable trust, the Pahlavi Foundation—now nationalised and renamed the Alavi Foundation—are included.

Control over the holdings of the Pahlavi Foundation in the U.S., a charity registered separately from its Iranian parent, has already reverted to the present Iranian authorities. Between \$50m and \$100m was involved.

A strong clue to Tehran's present mood came on Monday from Mr. Ali Shams-Ardekani, Iran's ambassador to the United Nations and a confidante of the religious leadership. "What's important," he said, "is that the U.S. would agree or make a pledge that upon finding the Shah's money which had been inappropriately taken by him, the U.S. would not hinder anything returning."

That is certainly a condition the U.S. is able to meet, and one on which the Administration is prepared to be helpful. But the certain disappointment in Tehran once it became public knowledge that the safe was empty could well prompt the reaction that the U.S. had conspired to cheat Iran once again.

Hardliners foil Majlis debate on hostages

By Our Foreign Staff

THE LACK of a quorum in the Iranian Parliament which yesterday prevented discussion of the terms for the release of 52 American hostages was the result of a manoeuvre by hardline Deputies, according to Majlis (Parliament) members.

Only 162 Deputies—16 short of a quorum—were available, and the hostage issue is now to be discussed in public session on Sunday. The dissident deputies who want to put off the debate are apparently drawn from both the Right and Left-wing factions in the Parliament.

"The Majlis will not accept blackmail," said Ayatollah Sadeq Khalkali, the powerful revolutionary judge, after the abortive debate. "This is disruption."

With the debate on the conditions of release for the hostages now to take place only two days before the U.S. Presidential election, it looks increasingly unlikely that a decision will be finally reached before Americans go to the polls.

Phalange tightens its grip

BY ISHAN HIJAZI IN BEIRUT

THE PHALANGE, Lebanon's principal right-wing paramilitary organisation, has expanded its control in predominantly Christian areas of Beirut by capturing the south eastern suburb of Ain El-Rummaneh.

After four days of fierce clashes, the Phalangists' militia on Wednesday overran all positions of the rival rightist National Liberal Party of former President Camille Chamoun.

About 200 NLP militiamen were forced to escape to pre-

dominantly Moslem West Beirut, some of them still dressed in their pyjamas, among them was the local militia commander, Elias al Hanash.

The regular Lebanese Army did not interfere in the fighting, causing nation-wide concern. Hundreds of regular troops have been stationed in Ain El-Rummaneh since a previous round of inter-rightist fighting last year.

The latest clashes were a sequel to a major round of fighting last July when Phalangist

forces suppressed the NLP in three main Christian districts of Lebanon, Kesrouan, Byblos and al Maten.

Mr. Chafik al Wazzan, the new Prime Minister, demanded a written report about the Ain el-Rummaneh affair from Maj-Gen. Victor Khoury, the army Commander. Mr. al Wazzan, whose government has yet to receive parliamentary approval, was meeting Thursday with General Khoury and Brigadier Mounir Torbey, the Chief of Staff.

Chadli pardon for Ben Bella

ALGIERS—President Chadli Benjedid of Algeria has lifted 20 "particular measures" restricting the freedom of the country's first President, Ahmed Ben Bella, 64, it was officially announced yesterday.

The measure was taken on the occasion of Saturday's 26th anniversary of Algeria's revolution against French rule, the anniversary added.

President Chadli also pardoned Mr. Tahar Zbiri, a former

member of the Governing Council of the Revolution, who led an abortive revolution in 1967. Mr. Zbiri is understood to have returned to Algeria from exile last year.

Fraser warns on sudden change

BY PATRICIA NEWBY IN CANBERRA

INVESTMENT IN Australia's resource and infrastructural development would need to be spread over time, to avoid inflationary pressure and maintain economic stability, Mr. Malcolm Fraser, Australia's Prime Minister, said yesterday.

It is the first time Mr. Fraser has acknowledged publicly that the large amount of development proposed for Australia in the 1980s could cause problems for the domestic economy.

Delivering the opening address to the Financial Times conference in Melbourne on "Australia—The Attractions for Future Investment," Mr. Fraser said his Government wanted to avoid sudden, big changes.

"It may be more a matter of the speed at which economic change is to be permitted rather than any absolute prohibition," he said.

Federal and State Governments had agreed on the need to integrate infrastructure expenditure to ensure that resources such as skilled labour and capital were not subjected to demands that would add to inflationary pressure.

Mr. Fraser confirmed his Government's commitment to fighting inflation (at present 10.2 per cent) and reducing Government expenditure to create the climate conducive to investment.

He warned, however, of likely wage pressure in the next few years, and said Australia would be looking for more migrants to supply skill shortages.

There was a limit to the restrictive measures his Govern-

FINANCIAL TIMES
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INVESTMENT
CONFERENCE

ment could adopt, because of the three-year electoral cycle. It was already clear that Australians were demanding an improvement in living standards and reduction in taxation.

"It may be that, with a five-year electoral cycle, Mrs. Thatcher's Government's tasks will be easier," he said, adding: "Though it would be remarkable indeed if a significant turnaround in real growth can be achieved in the UK in much less than five years."

Mr. Gordon Jackson, general manager of Australia's sugar and mining giant, CSR, also warned of likely inflationary pressure caused by inflow of foreign investment.

He urged the Government to back off from the domestic loan market, to allow the private sector to increase its share of investment from that source, and called on the Government to follow conservative fiscal policies to restrain inflation.

Mr. Garriek Agnew, Perth businessman behind moves to found Australia's first

new bank for 40 years, told the conference that inflationary pressure could be eased by Australia becoming a capital exporter.

If taxation and foreign exchange impediments were lifted Australia could become a significant financier to South-East Asian countries. This would have political as well as economic benefits, as it would off-set some resentment towards Australia's high tariffs.

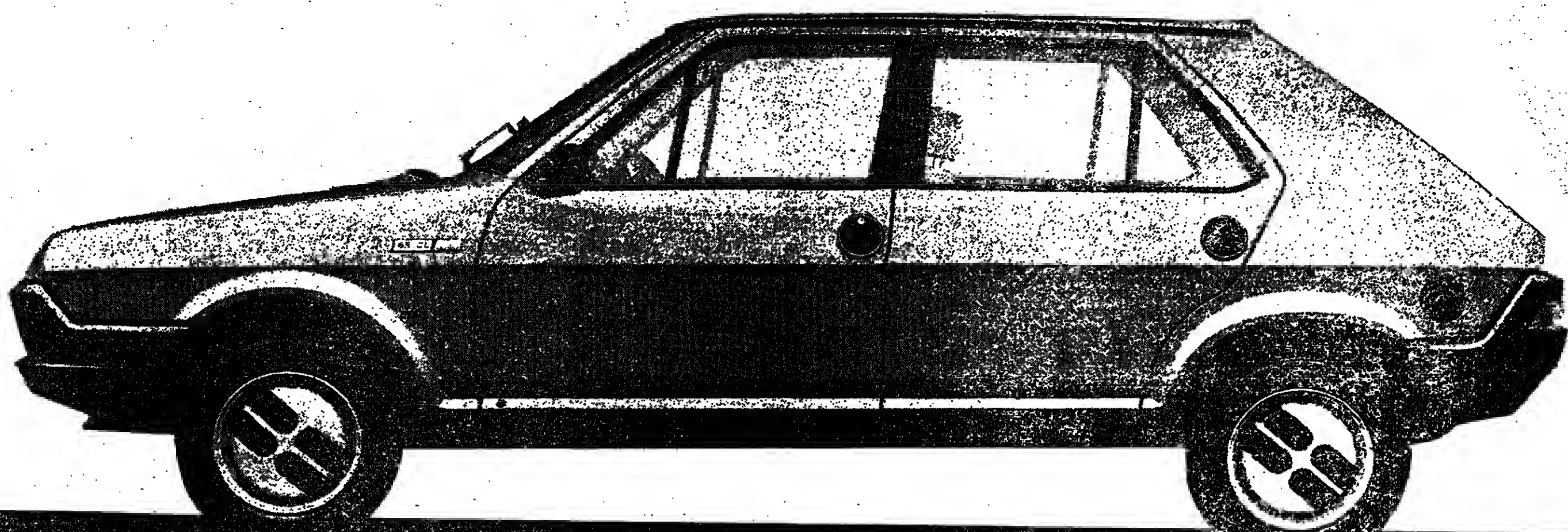
Mr. Agnew also advocated accelerated immigration of skilled labour to ease impending wages and inflationary pressure caused by shortages of skilled workers.

Mr. Graham Cocks, director of Syntec Economic Services, a private consultancy which provides information on economic trends, said that despite Australia's endowments, the economy did not have the capacity to achieve sustained growth much above 2.5 per cent a year.

He partly blamed Australia's heavy protection of the uncompetitive manufacturing sector. A paper delivered on behalf of Senator John Carrick, Minister for National Development and Energy, said Australia could use its comparative advantage in energy in conjunction with mineral wealth to broaden and expand overall development.

Mr. James Kirk, chairman and managing director of Esso Australia, a subsidiary of the U.S. oil major Exxon, also took an optimistic view of Australia's future.

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AMERICAN NEWS

David Buchan accompanies the Republican Presidential candidate to Dallas, Texas

Just the thing to put a smile on J. R. Ewing's face

THE FINAL stage of Mr. Ronald Reagan's assault on the Presidency took shape here in Texas, as the Republican candidate zeroed in on the incumbent's "demonstrated inability to run this country," and accused him of misbanding the U.S. economy in all its facets.

Toralties on Wednesday in Houston and Dallas, Mr. Reagan took up his closing theme from Tuesday night's Cleveland debate lambasting Mr. Carter's incompetence in letting the U.S. go downhill in the past four years.

It is a gamble for the Republicans, whose buoyant aides claim he emerged the ultimate victor from the television debate. This gamble, assumes Mr. Reagan has finally laid to

rest suspicions that he is a war-monger, and has only to beat the drum on President Jimmy Carter's economic record to turn a lead in the popular vote and electoral college tally into victory next Tuesday.

U.S. QUARTERLIES

Quaker Oats poor.

Winnebago Industries steadier.

General Reinsurance advance.

Details, Page 30.

Both candidates are taking high-risk choices in the final stretch. They have to—in order to ration the political themes and campaign stops they can

hit in the remaining 92 hours. Morale is high in the Reagan camp, despite the mixed press verdicts on the Cleveland debate and fresh conflict of interest allegations concerning Mr. Richard Allen, Mr. Reagan's foreign policy expert. Mr. Reagan blandly described the allegations as "much ado about nothing," but he is none the less conducting an internal inquiry.

Mr. Carter and Mr. Reagan have both allotted precious hours in the final week to Texas, the state with the fourth-largest number (231) of electoral votes. Loss of the Lone Star state, which Mr. Carter carried in 1976, and quite possibly Florida, would hammer the President's southern base. But Mr. Reagan, according to the opinion polls,

either leads Mr. Carter or is even in Texas, which may not be quite good enough for the President. According to Mr. John White, the Texan who heads the Democratic National Committee, the President probably needs a 4 to 5 per cent election eve lead in the polls to offset the propensity of Republicans to turn out in higher proportion than Texas Democrats.

Weariness

Mr. Reagan, faltering through weariness on some of his favourite anti-Carter jibes, none the less drove home his economic message in Republican and congenial East Texas, flanked by such political stars

as television cowboy Roy Rogers. Although Mr. Reagan looks all his 69 years these days, he skillfully gave his message an effective energy twist for oil-producing Texas.

Scrap the interfering Federal Energy Department; focus on production and not on conservation; open up federal lands and continental shelf to exploration; and kill President Carter's tax on oil companies' windfall profits. To hear Mr. Reagan on Wednesday night at Dallas's Southern Methodist University, one would almost think it was the windfall profits tax which clobbered J. R. Ewing, the well-known "oilman." His words are well received by Texas's many independent oil developers and royalty owners.

But the key to the race may lie out of Mr. Reagan's hands and in South Texas with the Hispanic community. Spanish speakers in 1976 gave Mr. Carter 87 per cent of their vote, or over 200,000 ballots, and population increase and immigration from Mexico has swelled their numbers since. If Mr. Carter can get 300,000 Hispanic votes this time, he is believed safe in Texas. But the intensity of their support is not for Mr. Carter but for Senator Edward Kennedy.

To fire enthusiasm, Senator Kennedy came into the state last week, evoking a common Catholic religion, shared liberal political beliefs, and memories of his brothers' concern for Mexican Americans. The Senator evidently lit a few fires



Ronald Reagan... a gamble in the Lone Star state.

among the Hispanic community for this year's Democratic nominee, but no one knows how brightly they will be burning next Tuesday.

Pleasure

Governor Bill Clements, Texas's first Republican Governor in a century, claims pleasure that the Massachusetts Senator was appearing in the state, because, he thought, Mr. Kennedy repelled as many voters as he attracted. But the abrasive Governor Clements is divisive too. He recently called Mr. Carter "a goddamned liar"

concerning past campaign promises, and was in turn called a "guttersnipe" by Democratic politicians. However, the Governor has striven might and main to carry Texas for Mr. Reagan, pinning his political credibility on success. He has been quietly helped by two former Democratic Governors who have been working against Mr. Carter's re-election.

Texas this year is the home of the crossover "Democrats for Reagan" organisation, just as it was in 1972.

Wall Street and the election. Page 32

Carter 'handled hostage crisis badly'

MR. RONALD REAGAN yesterday claimed that Americans would be "a little sceptical" about President Jimmy Carter's motives if the hostages in Iran were freed before Presidential election next Tuesday. David Buchan writes.

In a Dallas radio interview just before leaving for a final north-east and mid-west campaign swing the Republican candidate also criticised the Administration's handling of the hostage crisis from the start. It had had "plenty of warning" about the takeover of the U.S. embassy in

Tehran and it should have either removed the diplomats or reinforced its security, he said.

Evidently more assured in speaking out on the hostage issue, now that the prospects for their immediate release are waning, Mr. Reagan suggested that a sudden pre-election move could backfire politically on the President.

"I think the people in this country would be a little sceptical about the timing that brought them home lost prior to the election," he said, adding that he would

welcome the hostages' release at any time.

Mr. Reagan also spoke out on Cuba—an issue in this election partly because of the sudden influx of Cuban refugees into the U.S. this year. A Reagan Administration, he said, would demand "a great deal of change" in President Fidel Castro before relations could be normalised.

In particular, he said, Cuba would have to pay Americans and Cubans compensation for expropriated property, and there would have to be "a swing away from linkage with the Soviet

U.S. ELECTIONS



Union." But Mr. Reagan said: "I doubt he (Mr. Castro) could do this because he is owned lock, stock and barrel by the Soviet Union."

One of us is
a world-scale
mining company.

Oil industry victory on pipelines

By David Lascelles in New York

THE Federal Trade Commission has decided not to make a rule prohibiting large oil companies from owning oil pipelines, in what amounts to an important victory for the oil industry.

The decision is a setback for Senator Edward Kennedy, who had long campaigned for such a rule and petitioned the FTC last year. But it also seems to put to rest the movement, strong in the 1970s, to dismember the country's large oil companies.

Oil company dismemberment has cooled off considerably as a political issue since 1977-78 when Senator Kennedy held Congressional hearings on the subject. But the oil industry has lobbied persistently against the oil pipeline move, arguing that it is unnecessary and unfair.

Oil company dismemberment has cooled off considerably as a political issue since 1977-78 when Senator Kennedy held Congressional hearings on the subject. But the oil industry has lobbied persistently against the oil pipeline move, arguing that it is unnecessary and unfair.

Canada Budget criticised

WINNIPEG — Mr. Jack Gallagher, chairman of Dome Petroleum, said the share of oil revenues that producing companies will get under the new Canadian Federal Budget is inadequate to finance the big energy projects of the future.

"Many companies such as Dome are reinvesting two to three times their current cash flow, but they cannot continue this practice indefinitely," he said in a speech to the Canadian Institute of Public Estate Companies.

He called for Government loans to oil companies which would be repaid at five times the loan value if a company made a large discovery. Reuters

Jamaican violence fails to deter voters

By Carole James in Kingston

THOUSANDS of Jamaicans queued outside polling stations yesterday in vote in general elections. First reports indicated that voting had started without violence at 6,500 voting centres which were under armed police and military guard.

The initial calm was in contrast to the party political violence and attacks by armed thugs which have taken just over 500 lives.

Just under 1m voters will be deciding between the social democratic People's National Party, led by Prime Minister Michael Manley, which has been in office for over eight years, and the opposition conservative Jamaica Labour Party, led by Mr. Edward Seaga, a former Finance Minister.

Some reports indicated problems at certain polling stations, mainly because a new system of voting agreed by both parties to ensure fairness is being used.

Police said yesterday morning that they could not confirm reports of an attempt on Wednesday night on Mr. Seaga's life. The reports, from Labour Party members, said Mr. Seaga was shot at when he toured a suburb of Kingston.

Sporadic gunfire occurred on Wednesday night in many parts of the city and in one incident eight policemen were slightly injured when their vehicles were attacked by gunmen.

CIA agent gave details of weapons

BALTIMORE — The former Central Intelligence Agency agent who pleaded guilty on Wednesday to selling intelligence secrets to the Soviet Union is believed to be the highest level Soviet spy ever uncovered within U.S. intelligence.

Mr. David Barnett, 47, was accused of passing on to Soviet KGB officials U.S. intelligence on Soviet weaponry, including surface-to-air missiles, Stix Cruise missiles, submarines, destroyers and bombers.

Mr. Barnett, who admitted passing on the information for \$92,600 (£37,000) beginning in October, 1976, faces possible life imprisonment for espionage. As part of a plea bargain with federal prosecutors Mr. Barnett agreed to co-operate with the CIA and the Federal Bureau of Investigation (FBI) in assessing the damage he had done in national security.

Besides turning over to the KGB technical information procured by a U.S. covert operation, Mr. Barnett was accused of identifying 30 undercover CIA agents and naming seven Russian citizens regarded by the CIA as potential recruits.

He was said to have passed on the information to KGB agents in Jakarta and Vienna after leaving the CIA in 1970 and embarking on a number of business enterprises in Indonesia which left him in financial difficulties.

During his CIA career, Mr. Barnett was involved in clandestine intelligence overseas including operations designed to obtain information on the Soviet Union. He also did part-time consultancy jobs for the CIA and last worked for the agency in March this year.

The prosecuting statement said that one U.S. operation, codenamed Ha-Brink provided technical details about the Soviet SA-2 surface-to-air missile system, the Stix Cruise missile, the Soviet W-class submarine, guided missile patrol boats, the Riga-class destroyer, Sverdlov-class cruiser and the TU-16 bomber.

According to the document, Mr. Barnett's disclosure to the KGB that the U.S. understood the guidance system for Stix missiles would have alerted the Russians to the probability that the U.S. had gone on to develop effective electronic counter-measures.

Protests to Pinochet over exiled Chilean

BY HUGH O'SHAUGHNESSY, LATIN AMERICA CORRESPONDENT

THE U.S. ADMINISTRATION, the Venezuelan Government and the Vatican are among a number of Governments which have made strong protests to General Augusto Pinochet, the Chilean Head of State, about his decision to exile Sr. Andres Zaldivar, the Chilean Christian Democratic leader and former Finance Minister.

Sr. Zaldivar, who was refused permission to return to Chile after a tour of Europe earlier this month, had taken the lead in criticising the recent Chilean plebiscite and irregularities in the counting of the votes. Gen. Pinochet said that the poll had shown a majority of Chileans supported his rule.

Venezuela has taken the lead in an effort to get the measure against Sr. Zaldivar rescinded. The Christian Democratic Government of President Luis Herrera Campins has given instructions to Venezuelan ambassadors around the world to request protests about the Zaldivar case from governments friendly to Venezuela. A Foreign and Commonwealth



Sr. Andres Zaldivar... criticised plebiscite

Office spokesman yesterday said that Britain had not made a specific protest to Gen. Pinochet about the exiling of Sr. Zaldivar.

مكتبة النجف

Honda, Yamaha set for China cycle project

BY CHARLES SMITH, FAR EAST EDITOR IN TOKYO

JAPAN'S two top motorcycle manufacturers, Honda and Yamaha, will take part in the development of China's motorcycle industry it was confirmed yesterday.

Honda has decided, in principle, to help build a factory in the city of Tientsin with an annual production capacity of 150,000 units. Yamaha says it has received "several" requests from different provincial governments for the construction of factories, and it expects to be able to announce its response in the near future. One of the proposals received by Yamaha was from the provincial Government of Kwangtung.

Direct exports of Japanese motorcycles to China have so far been minimal. Honda has shipped about 100 units while Yamaha says it has so far yet to receive an order.

However, the Japanese companies are convinced that China is keen to develop its motorcycle industry as a stepping stone towards fully-fledged manufacture of motor vehicles.

The Chinese market for motorcycles should be extremely large in view of the fact that bicycles are at present the standard means of individual transport.

Honda says it has not yet decided whether its Chinese venture will take the form of a joint venture or a simple transfer of technology.

Talks have been in progress on the scheme at top management level since September when two senior Honda executives visited China to present motorcycles to the China Motor Sports Association. The machines produced at Tientsin will probably have engine capacities of 50 to 70 cc, Honda says.

If the Tientsin plan goes ahead on schedule Honda will become the first Japanese company to be directly involved in the Chinese motor industry. Discussions have been held on joint venture projects between China and Japan in the manufacture of four-wheeled vehicles, but no concrete developments in this area appear likely at present.

Italy eases credit rate on exports

By James Buxton in Rome

ITALIAN COMPANIES will pay 1 per cent less for the money they borrow to finance export operations from next Monday. The decision was made in Rome by the Association of Italian Bankers.

The action follows pressure on the banks by the Bank of Italy, the central bank, and the Government to improve the competitiveness of exports, which is a main plank in Government policy.

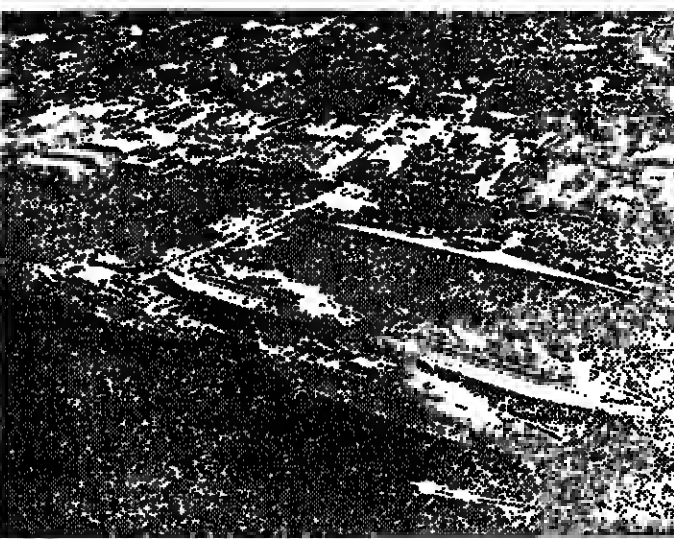
Following the fall of Sig. Francesco Cossiga's Government and the lapsing of its economic measures at the end of September, the official discount rate was raised 1.5 percentage points to a record 18 per cent and the Bankers' Association raised in step the rates which banks charge borrowers for different types of transaction.

Now the rate for export operations is to go down to 16.5 per cent, and the rate for certain other relatively favoured forms of borrowing will drop by half a point to 20 per cent. But the ordinary prime rate, which affects the majority of borrowers, stays unchanged at 21 per cent. The banks point out that their rates mean only a small real rate of interest when inflation at 21 per cent a year is taken into account.

FLAGS OF CONVENIENCE SHIPPING

Bahamas fires shot across Liberian bow

BY NICKY KELLY IN NASSAU



Prince George Wharf, Nassau

A DECADE-LONG effort by the Bahamas to launch itself as a flag of convenience country has hit rough seas once more.

The most recent setback is the dispute between Cunard Lines and Britain's National Union of Seamen over plans to transfer the company's two smaller cruise ships, the Cunard Princess and the Cunard Princess, to Bahamian registry. In fact, it was the departure from Britain of the Cunard Princess last weekend amid protests over the registry issue that prompted the NUS to describe the ship as a "maritime bazaar."

Ironically the row has erupted amid renewed attempts by the Bahamas Ministry of Transport to convince shipowners of the advantages of Bahamian registry. The Ministry had been counting on the Cunard name to provide the catalyst.

Until last April's bloody coup in Liberia, the larger shipping companies had dismissed the Bahamas as an alternative flag because of what were regarded as serious weaknesses in the country's four-year-old Merchant Shipping Act.

Ministry of Transport officials say that since then the Bahamas has been inundated with inquiries from American shipping interests which own from 30 to 35 per cent of the ships registered under the Liberian

flag. In the present circumstances the Bahamas' political stability has become an important consideration.

Hoping to capitalise on the situation, the Government is now considering several major amendments to the Shipping Act that would make Bahamian registry more attractive to American and Far Eastern shipowners.

Registration is open at present to all foreign-owned ships of over 1,600 net tons providing they are no more than 12 years old at the time of registration and maintain internationally accepted standards for vessel, officers and crew. There are no restrictions on the nationality of officers and crew, but certificates of competency must be equivalent to those of the UK.

Besides recognising American sovereignty over U.S.-owned ships in time of war or national emergency, the proposed changes would safeguard ship mortgage claims held under previous registry and provide for a reciprocal tax arrangement which would avoid having Bahamian vessels taxed while trading in U.S. waters.

The Government also plans to drop the 1,600 net tons minimum required for foreign-owned ships and set an upper limit on registration fees per ship so as to draw the very large tankers. Additional provision would be

made for fleet discounts and more flexible manning requirements consistent with new ship design and technology.

Given the country's status as a tax haven and offshore financial centre, the administration hopes shipowners will be encouraged to locate their headquarters in the Bahamas, thus generating additional business for the banking and insurance sectors.

How successful the Bahamas

will be in winning business from Liberia will largely depend on the Government's speed in bringing the amending legislation to Parliament. The track record has not been encouraging in this respect.

Establishment of the Bahamas as a ship registration centre was a direct result of the 1971 decision by the Burmah Oil Company to build a petroleum trans-shipment terminal on Grand Bahama island.

One of the terms of agreement between the Bahamas Government and Burmah was that 50 per cent of the shipping to be used by the oil company would carry the Bahamian flag.

The plan might have succeeded but for the 1973 Arab oil embargo and the rapid increase in oil prices. By the time the terminal came on stream in 1975 U.S. oil demand had already slumped, and Burmah's tanker operations were in serious financial difficulties.

A second drawback was the two-year delay in introducing the necessary legislation. The Bahamas Merchant Shipping Act took effect in 1977 amid the biggest recession in the modern history of shipping. It took another two years to correct an unintentional omission and allow for stamp duty exemption on bills of sale and ships' mortgages.

Approximately 90 foreign vessels have registered in the Bahamas in the past four years. Most are cargo vessels, and none of them over 1700 dwt. Bahamian registry has thus far failed to attract the large bulk carriers needed to make the industry viable.

Although the Government had optimistically predicted earnings of at least \$2m annually in the early years, actual revenue in 1978 totalled only \$43,845. It is estimated at \$100,000 this year.

USSR to help India's industrial development

By K. K. Sharma in New Delhi

THE SOVIET UNION will help India implement industrial projects, including steel and aluminium plants and power stations, worth Rs 65bn (\$3,6bn) during the sixth five-year plan period from 1980-85.

Apart from the Rs 25bn integrated steel plant to be established at Vishakhapatnam in the Southern state of Andhra, the agreement which has already been signed, includes provision for expansion of the existing steel plants to 5m tonnes at Bhilai and to 5.5m tonnes at Bokaro. An aluminium complex is to be set up in Andhra State with a capacity of 800,000 tonnes annually.

This was announced in New Delhi yesterday by Mr. Narayan Datt Tiwari, India's Planning Minister, on his return from a week's visit to Moscow. Mr. Tiwari said that working groups were meeting on each of the sectors to decide on various details of the implementation of the projects, including their financing.

Other projects include a 2,000 MW "super" thermal power plant at Wydhan in Madhya Pradesh State, development of new coal mines of Jhargra in eastern India to yield an annual production of 2.5m tonnes, modernisation of the coal mines at Jharla to yield 12m tonnes a year and supply of new coal mining technology.

Also discussed at Moscow were proposals to increase crude supplies from the Soviet Union from the existing 1.5m tonnes annually to 2.5m tonnes next year.

Four banks are currently putting together a financial package for India which will help finance the building of an aluminium plant in the state of Orissa and is expected to top \$1bn. The contract to build the plant has been won by Pechiney Ugine Kuhlmann, Francis Ghiles writes.

Banque Nationale de Paris, Societe Generale, Bank of America, and the State Bank of India are working on a financial credit which is expected to be close to \$700m. This would make it the largest ever eurocredit for India. To this figure will be added a substantial but as yet undisclosed amount of French buyers' credit.

Japan-based consortia to bid for Saudi deal

By Charles Smith, Far East Editor, in Tokyo

TWO LEADING Japanese engineering construction companies are to form international consortia in order to bid for a \$250bn (\$439m) refinery which Shell plans to build in Saudi Arabia.

The two companies are JGC, which will be working with M. W. Kellogg of the U.S. and Daewoo Industrial of South Korea, and Chiyoda Chemical Engineering which plans to team up with Ralph M. Parsons of the U.S. and Technip of France. A third major Japanese company, Ishikawajima-Harima Heavy Industries, has denied reports that it plans to bid for the project.

The formation of international consortia by Japanese companies for overseas plant projects is a relative novelty and has been discouraged until recently by restraints on the terms under which Japanese Export Import Bank finance is available.

Recently, however, Japan has become interested in international plant tenders for a number of reasons. JGC quotes risk dispersal as its main reason for inviting foreign partners to join it in the Saudi Refinery project. Two other reasons for forming such consortia are to take advantage of price differentials in different countries and to promote industrial co-operation between Japan and its developed trading partners.

The strength of the Japanese yen is cited as one reason for a fairly sharp falling off in plant contracts won by Japanese companies this year. As a countermeasure some exporters have begun subcontracting portions of contracts to European or U.S. partners who can quote cheaper rates for some types of machinery. Joint ventures in which a Japanese company and a European or U.S. company both appear as principals are also becoming popular, although legal and financial hurdles have stood in the way of these.

Japan's Machinery Exporters' Association has been sponsoring meetings with opposite numbers in several European countries in consideration of promoting joint tendering.

EEC pledges \$45m for Egypt water plan

BY ALAN MACKIE IN CAIRO

EGYPT'S Helwan waste water project is closer to being realised following the visit to the country this week of M. Claude Cheysson, EEC Commissioner for Development Policy, for talks with officials on mutual co-operation.

The EEC has promised \$45m (£18.5m) towards the cost of the \$140m project which will provide a new sewage treatment plant and collecting tunnels for Helwan, an industrial town south of Cairo.

The Egyptian Government has undertaken to provide the remaining funds for the project which was started with Arab finance, since terminated by the Arab boycott.

Work could not start however, until a water irrigation project, an integral part of the programme, had been authorised. This has been agreed to and the waste water

project is likely to go out to tender early next year.

Mr. Cheysson's visit gave impetus to a number of other projects, including the EEC funded Abu Zaabal phosphate mine in Upper Egypt, a project the UK had shown interest in before the aid budget was cut.

The EEC provides Egypt with \$240m under a three-year protocol due to expire in October 1981, and a further \$78m worth of foodstuffs. Mr. Cheysson hopes the new protocol, negotiations which are due to start in the New Year, will be "at least \$300m."

To aid the EEC investment effort and redress the trade deficit between Egypt and the Community, running at \$1.46bn, the EEC Commission is sponsoring an investment symposium for the European businessmen in Alexandria in April or May next year.

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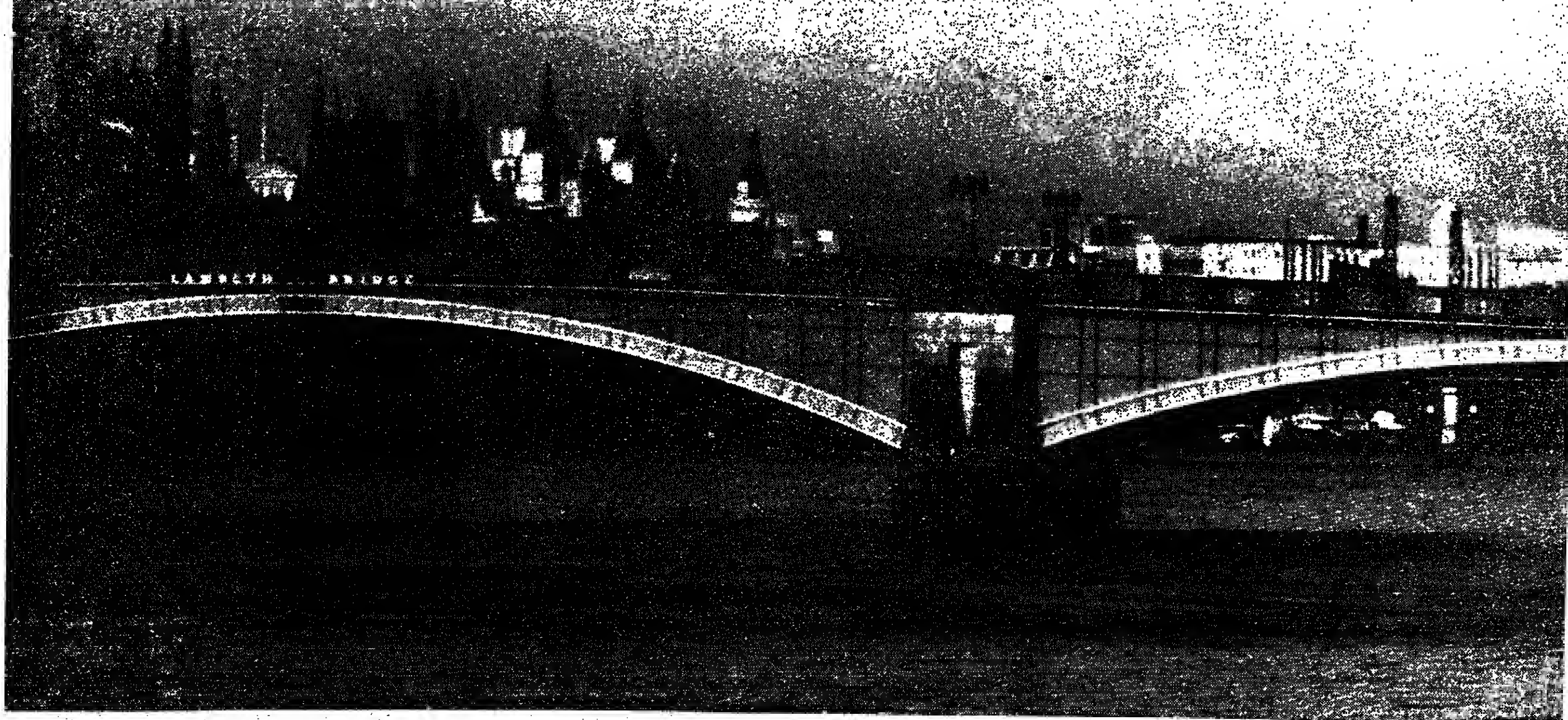
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UK NEWS

Tractor company on one-day week

BY JAMES McDONALD

INTERNATIONAL Harvester—the American-owned tractor making multinational—is now operating a one-day week for its British workforce in Doncaster and Bradford and yesterday announced further redundancies at its major Doncaster plant.

The redundancies will number only 56 out of its UK 1-buoy force of 5,268, but this total is 1,347, or 20.4 per cent, less than a year ago.

The situation has obviously worsened since July when International Harvester announced 740 redundancies and said it had recorded "a major loss" in Britain so far this year with no "realistic hope" of a return to profitability over the rest of 1980.

At that time most of the Doncaster workforce was on a three or four day week and the smaller Bradford factory was working 4½ days a week. Yesterday a spokesman said the two plants were now on a one-day week and this would continue for at least the next fortnight. "The situation is reviewed on a weekly basis," he added.

Mr. Jon Young, IH's employee relations director, said: "The worldwide recession for farm machinery, plus high interest rates, high inflation and record level of the pound, are all

creating a very difficult environment in which to operate.

International Harvester in the U.S. lost \$200m in the first half of this year. Its decision to withdraw from the market one of its new construction machines has affected the British operation since the machine is made at Doncaster and the slump in the U.S. tractor market has also hit Doncaster which makes the smaller IH tractor sold in the U.S.

IH is one of four North American-owned multinationals making tractors in the UK for sale locally and internationally.

The others are Massey Ferguson, David Brown and Ford and all have been hit by the drop in demand for tractors, both in the UK where tractor sales have fallen by over 25 per cent and abroad.

An international rescue attempt for Massey Ferguson is already being discussed with the 200 or more banks, including British clearing banks, involved in loans to Massey.

The latest IH redundancies will be mainly in the supervisory structure, the company said yesterday, with 41 jobs involved. The structure will be rationalised and streamlined to improve its effectiveness. There will be 15 redundancies in manufacturing support areas of staff employees.

Industry 'must end fear of redundancy' to survive

BY RAY PERMAN, SCOTTISH CORRESPONDENT

THE fear of redundancy among workers must be removed if British industry is to be able to introduce the structural and technological changes necessary to survive, Sir Hector Laing, chairman of United Biscuits, said yesterday.

Giving a keynote address at a forum on Industrial Relations organised by the Scottish Council at Aviemore, he said that if the fear of losing a job could not be allayed there would be massive resistance to change.

"So long as hiring and firing are used as a means of regulating the profitability of a business, so long will an atmosphere of hostility and suspicion persist, and so long will we suffer from confrontation and disruption."

Voluntary retirement should be used on a wider scale. Although costly, it would be less expensive than the sour industrial relations and the social damage which could result from having a generation of young people out of work for years.

Where forced redundancy was

inevitable some form of protection should be applied.

Sir Hector said it would be disastrous if management were to adopt a "teach 'em a lesson" attitude towards workers. This would destroy the trust and understanding built up in many areas.

Mr. Len Murray, general secretary of the TUC, disagreed with Sir Hector that the owners of industry and the workforce shared common interests. There would always be legitimate areas of conflict, such as the distribution of the proceeds of industry between dividends and wages.

The issue confronting Britain was not how to avoid conflict, but how to avoid the disruptive potential of conflict.

Mr. Murray said that the Government would rue the day it abolished the Clegg Commission on public sector pay comparability, which had provided a way of solving grievances without the withdrawal of labour. And the new Employment Act, intended to tilt the balance of power back towards employers, would merely create martyrs.

Engineering output falls

BY MAURICE SAMUELSON

THE OUTPUT of Britain's engineering industries fell 4 per cent between July and July compared with the previous three months, according to British Business, published by the Department of Industry and Trade.

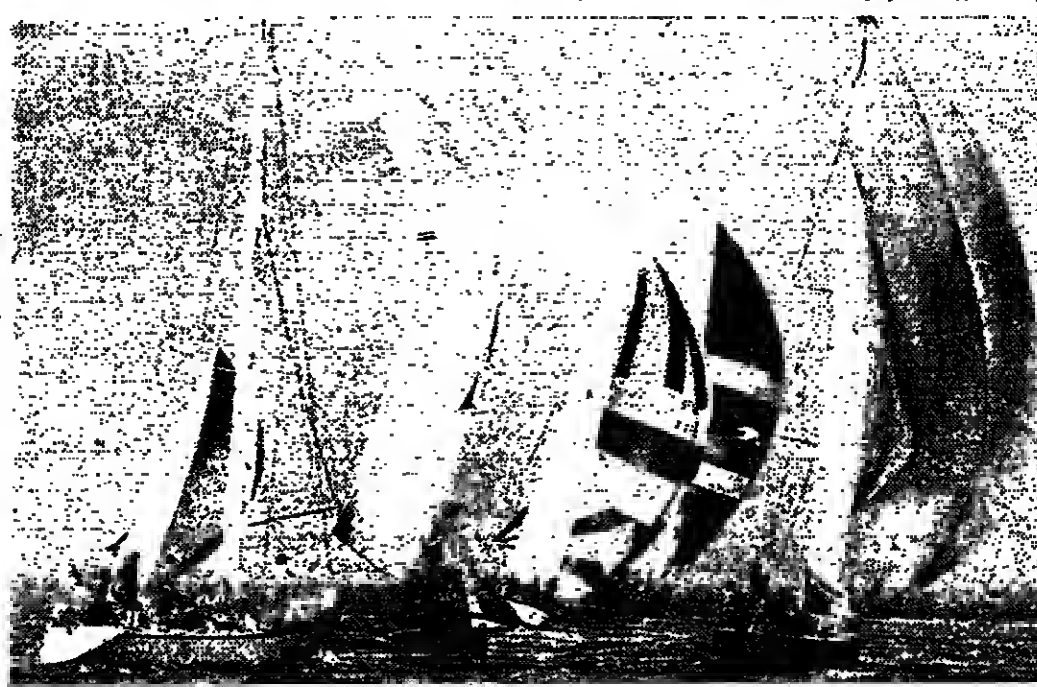
The 4 per cent fall was shared by the two major sectors, mechanical and electrical engineering. The instrument

engineering sector was only marginally affected. Between July and July, mechanical engineering industries boosted output. Falls of more than 10 per cent were shown by machine tools, textile machinery, weighing machinery and power tools.

Constructional steel work rose appreciably after its steep fall in the first half of the year.

Colin Inman reports on how boat builders are tacking against the recession

Enthusiasm keeps this industry afloat



A boat builder's yard in Scotland.

IN HAMBURG last week a band of 30 or so British boat builders and equipment manufacturers were busily trying to persuade the world's yachtsmen that an industry in deep recession could still compete in world markets.

The occasion was the German International Boat Show. Most of the British exhibitors were appearing under the banner of the British joint venture, organised by the British Overseas Trade Board, which received high praise from the companies taking part for its efficient arrangements and excellent stand design.

Even so, the number of British exhibitors—around 30—was about a third down on last year, reflecting the fact that the boat building industry like so many others, needs all the help it can get.

During the past year, many companies have gone out of business. Others have cut back on staff and reduced operations to a bare minimum in the face of falling orders.

In most other industries the toll would be higher than it has been. But boat building, perhaps more than any other occupation, is manned by enthusiasts—by people who want to spend their lives making boats, or the equipment to go in them, and would be desperately unhappy doing anything else.

In the early 1970s, the British boatbuilding industry capitalised on the long-standing reputation of British yacht designers and yachtsmen and established a strong foothold in export markets.

The old boatbuilding traditions were blended with new enterprise shown by companies like Westerly Marine which were pioneering mass produced, relatively inexpensive family boats. A new market opened up rapidly because these smaller yachts combined the pleasures of sail with the safety and convenience of diesel auxiliary engines.

Electronic navigation equipment also made the sport much more attractive to the relative novice.

This market has been severely

buffeted by the recession in the UK, and the congestion of British rivers and harbours which has pushed mooring costs steeply upwards.

The strong pound and the increasing costs in a predominantly labour-intensive industry have eroded competitiveness in export markets.

At the same time, European competitors, notably in France, have produced very attractive modern designs of their own.

The high prestige sector of the market, served by companies like Nicholson and Moodie, has relied for many years on exports and sales to companies. It has been hit both by the strength of sterling and the general pressure on company liquidity.

However, there seems to be general agreement that the makers of larger craft, whether sail or powered, have fared slightly better than those at the smaller end of the market.

Those who can afford between £70,000 and £250,000 for a boat, the argument goes, are unlikely to be prevented from spending it by a recession.

UK boat builders have had to face the erosion of some of their export markets, and steadily increasing competition from countries who are exporting aggressively to counteract the diminishing of their own home markets.

The U.S. is a major exporter to Europe. American manufacturers have been trying hard for new markets while that in the U.S. is depressed.

What might be expected to be prohibitively high transport costs are offset by the economies of longer production runs and by the lower cost of cruising and racing yachts, is mildly optimistic, although the company's workforce was pruned from 700 to 500 last summer.

But, he says, orders have been better than expected since the Southampton show in the summer. In Europe, however, the rising pound is proving a severe barrier and the company's move in June to reduce the credit terms available to its dealers led to a 50 per cent fall in orders.

unreasonable technical requirements by the French; of hidden subsidies to the French and the Swedes; and of generous Government credit to the boat builders of several countries and to their agents abroad. One British maker quotes the case of a Greek agent for a French boat builder who is giving credit terms of up to three years.

What no one in the industry seems to be able to agree on is whether there is yet a light to be seen at the end of the tunnel. David Sanders, managing director of Westerly Marine, one of Europe's biggest makers of cruising and racing yachts, is mildly optimistic, although the company's workforce was pruned from 700 to 500 last summer.

But, he says, orders have been better than expected since the Southampton show in the summer. In Europe, however, the rising pound is proving a severe barrier and the company's move in June to reduce the credit terms available to its dealers led to a 50 per cent fall in orders.

Personal delivery by the Lack family, even to buyers in the Mediterranean, has meant that this is one company that has kept up its output (25 each per year of two designs) and has not had to lay off any of its 40 employees.

Iveco managing director quits over policy change

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

THERE has been a major change of direction by the UK subsidiary of IVECO, the Fiat offshoot which is Europe's second-largest commercial vehicle group.

Mr. Frank Tinsdale, appointed managing director in January when the British operations of Fiat Trucks and Magirus Deutz vehicles in the UK were combined to form IVECO UK, has resigned over differences of opinion about management style.

IVECO UK has dropped its plan to set up a £3m headquarters, warehouse and service facility which was to have been built at Warrington, Lancashire.

The original decision to keep the Fiat and Magirus Deutz dealer networks operating separately in Britain has been reversed. They will be combined to form a 60- to 65-strong network from January next year.

Mr. Tinsdale, aged 55, has been involved with the commercial vehicle business since the late 1950s. He joined

Magirus Deutz Concessionaires in the UK as general manager in 1965. When the company later became Magirus Deutz (Great Britain) in 1971 he was appointed managing director.

Dr. Iovanni Brasca, chairman of IVECO (UK), said yesterday that Mr. Tinsdale resigned "to our regret basically because of the differences in management styles between IVECO and the one he was used to with Magirus."

Dr. Brasca said the Warrington expansion was halted because it had been conceived at a time when the UK market was particularly buoyant.

IVECO will move instead to newly-acquired premises near the existing Magirus office at Winsford, Cheshire.

The new managing director of IVECO (UK) will be Mr. Alan Fox who takes over next month. He will take over a company with a turnover in excess of £50m and which takes third place in the list of importers selling commercial vehicles over 3.5 tons gross weight in the UK.

£71m social grant to UK from EEC

By Maurice Samuelson

THE European Commission has announced the second allocation of 1980 Social Fund grants for the UK totalling £71.87m. It brings to more than £537m the total grants to the UK since joining the EEC.

The fund is for assisting vocational training, retraining and resettlement schemes in EEC countries, with special emphasis on helping the unemployed and school-leavers.

The main areas in which the latest cash will be used are: young people, £37m; regions, £22m; handicapped, £8m; migrants, £12m and textiles, £38,000.

This is in addition to £7.6m already allotted to the youth opportunities programme in Wales for 1980 in recognition of what the commission calls Wales' "exceptional problems."

Or the 1980 Social Fund grants, 39 per cent went to programmes for under-25s

Costs of damage by fire exceed last year's total

BY ERIC SHORT

FIRE DAMAGE costs for the first nine months of this year have reached £387.3m, according to figures issued yesterday by the British Insurance Association.

This is nearly 10 per cent more than the total costs for 1979, which were £353.3m, and is about 50 per cent above damage costs for the first nine months of last year, if the trend continues, fire damage costs in 1980 could approach £500m.

The BIA figures, issued during National Fire Safety Week,

also show that fire damage costs last month returned to a high level after the decline in August, when costs were at their lowest for two years.

Three fires cost £1.5m each, contributing to a rise in September's fire damage figures of nearly £12m on the month to £32.6m, although this is nearly £5m less than damage in September last year.

Altogether there were 16 fires where damage cost at least £250,000 and 93 fires which each cost more than £40,000.

Food price rises to ease

BY OUR CONSUMER AFFAIRS CORRESPONDENT

PROCESSED food prices are likely to be lower than the rate of retail inflation in general next year, according to the latest review of food manufacturing companies by stockbrokers Phillips and Drew.

The brokers estimate processed food prices will rise an

average 11 per cent in the next 12 months compared with an inflation rate of 14 per cent.

Phillips and Drew suggest the pressures on food manufacturers' profitability may be eased because of a more stable exchange rate, falling interest rates, and a slowdown in cost inflation.

£500,000 nest egg conspiracy alleged

By Raymond Hughes, Law Courts Correspondent

A SECRET, tax-free nest egg of more than £500,000 was amassed by a conspiracy involving Lord and Lady Kagan, it was alleged at Leeds Crown Court yesterday.

The conspirators plotted to divert to a Swiss bank account a large part of the proceeds of sales of denim cloth between companies controlled by the Kagans, said Mr. Christopher Holland, QC, prosecuting.

The plan involved criminally false accounting and the falsification of documents and records.

Not guilty plea

Lady Kagan, Mrs. Evelyn Ginsburg, Mr. Raymond Kennedy and Kagan Textiles pleaded not guilty to a charge of conspiracy to defraud.

Lord Kagan — "the moving spirit behind the conspiracy" — was not on trial. Mr. Holland told Mr. Justice Smith and the jury, because the way he had re-entered the UK (he was extradited from France earlier this year) prevented him being charged with the conspiracy.

Mr. Holland said that the case contained elements of drama, public concern, notoriety and "sad criminality" — sad because we are dealing with people of proven achievements and talents who found themselves more and more involved in a matter which necessarily gave rise to more and more deception.

The conspiracy, known as "Operation B," had involved the formation of a Panamanian company, Denim Continental SA, untraceably owned and controlled by the conspirators. Its control was to be clandestine and its activities secret.

Denim was exported to that company by Cellofoam (Yorkshire), a Kagan group company, at a gross undervalue, as sub-standard.

Denim Continental then sold the denim, principally in Belgium and Italy, at its true market value, which, at the time, between 1974 and 1978, had been high.

After payment to Cellofoam, the very substantial balance was put into a Swiss bank account opened for that purpose.

In that way, at least £546,895 was diverted and not accounted for to the UK tax authorities, said Mr. Holland.

Strong personality

Counsel described Lord Kagan as a strong, dominant personality, energetic, enterprising and financially shrewd, with the ability to command obedience and loyalty from his closest colleagues.

He had been driven to pursue wealth. The case suggested that he had not been satisfied with what he had acquired in this country and had pursued more elsewhere.

A similar charge of conspiracy against Cellofoam (Yorkshire) will be dealt with later.

The Crown has dropped the charge against Mrs. Ginsburg's husband, Mr. Waldemar Ginsburg, 39, because of his medical condition.

Energy Review: Japanese investment in Canadian resources

By Martin Keeley in Calgary

Spate of new deals points to an energy alliance

CANADA AND Japan could form an energy alliance in the next decade. For the resource-poor Japanese, Canada's seemingly abundant reserves of both energy resources and minerals as well as proven nuclear technology seem very attractive.

The Canadian Government's target of 50 per cent Canadian ownership of the petroleum industry by 1990 need not interfere seriously, since the Japanese have been going into joint ventures with Canadian industry.

There is a 20-year history of co-operation in energy between the two countries, but the tempo has increased in the past four years. In recent months several major coal contracts have been signed and commitments have been made for Japanese participation in western Canadian oil and gas developments.

Since the 1973 OPEC oil squeeze Japan has committed itself to industrial and domestic conservation, to diversify oil supply, to development of alternative energy sources and promotion of nuclear power and new energy technologies. Two years ago it was decided to convert the country's steel industry from oil fired furnaces to coal.

As a result of the OPEC squeeze Canada's hydrocarbon resources—primarily in the west and north of the country—have become a major target for Japanese investment. The province of British Columbia (BC) is now in the middle of negotiation with Japan about one of the biggest export mining deals in the province's history: a 15-year, \$5bn plus

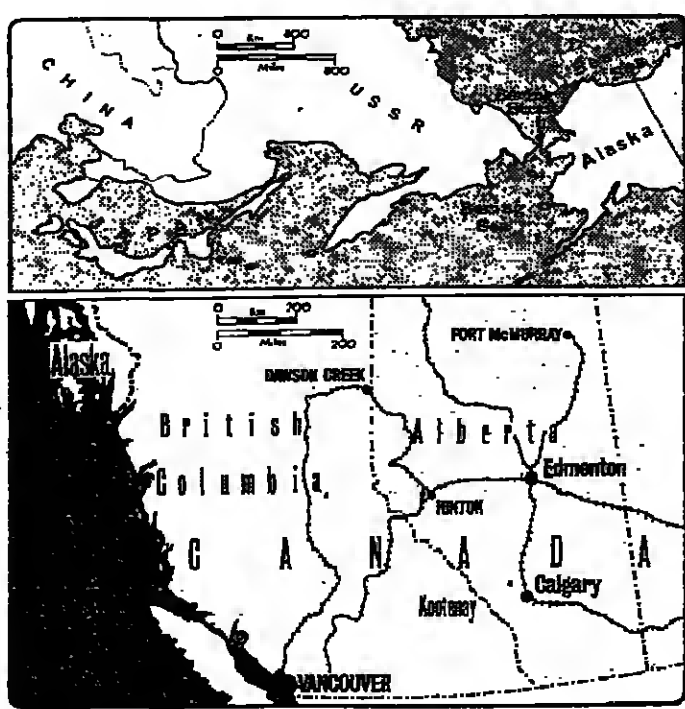
coal sale. Japan is also investing hundreds of millions of dollars in Beaufort sea oil exploration in the Arctic and oil sands development in Alberta.

In early October some 40 senior Japanese Government and industry scientists and engineers met with officials from the Alberta Oil Sands Technology and Research Authority (AOSTRA). The meeting with the provincial government-owned agency was about participation in research and development projects. The officials visited several of Alberta's major oil sands and heavy oil projects. The Japanese are also considering investing in alternate energy development in Canada, including a \$5bn coal liquefaction plant.

Commitment

Canada has traditionally supplied coal to Japan, with several 15-year contracts signed in the late 1960s with some 12m tonnes being supplied annually from Alberta and B.C. Additional supplies have been limited because of insufficient rail transport and resulting higher coal prices compared with Australian coal, Japan's other major supplier. However, inadequate port facilities and labour problems in Australia have made it less attractive as a long-term supplier. Recent commitments by the British Columbia, Alberta and Canadian Federal Governments to improve rail and port facilities has turned Japanese attention towards Canada.

Crucial to completion of the 15-year, \$5bn British Columbia



deal is the resolution of differences between four parties to the arrangement: the B.C. Government, B.C. coal companies, the Japanese Government and Japanese coal buyers. The two major issues are the price of the coal and rivalry between coal companies in north eastern B.C. and the Kootenays, further south.

B.C. has asked the Federal Government to share in subsidising rail costs, which would close the gap between the price asked by Canadian companies and the price per tonne offered

by the Japanese steel companies. The Federal Government is committed to spend at least \$50m to upgrade rail and port facilities in the province, with the B.C. Government putting up the rest. But the outcome of possible subsidy sharing will not be clear for at least a month.

The rivalry between coal companies in the two major coal producing regions of B.C. is one that the province's coal coordinator, Mr. Graham Rodgley, calls "unfortunate nonsense."

eastern B.C., not the Kootenays, as their source of supply, he says, because it is Japan's best interests. There are only two companies—Fording Coal and Kaiser Resources—operating in the Kootenays which both supply Japan through one rail line and one major terminal. If a labour dispute hit both operations at once, he points out, Japan's coal supply would be immediately cut.

The north eastern B.C. companies involved in the deal are Dennison Mines, of Toronto, BP Canada, of Calgary and Teck Corporation of Vancouver.

Mitsui, the largest Japanese trading company in Canada, recently completed two major deals to sell Albertan and B.C. coal to Japanese steel mills.

Crows Nest Resources, owned by Shell Canada Resources, will supply a million tonnes coking coal a year to Japan from its Line Creek, B.C., mine over 15 years. Development has already started, and production will begin in 1983, according to Mr. Arthur Anazawa, Mitsui's Calgary-based Canadian general manager.

The second deal is for Manalta Coal through its subsidiary Gregg River Coal to supply 2.1m tonnes of metallurgical coal a year over a 15-year term from the company's open pit coal mine near Hinton, Alberta. Mr. Anazawa has been involved in trying to get the Manalta project off the ground for the past ten years and secured the deal in August with final agreements to be signed in November.

The deal calls for Mitsui and

six leading Japanese steel mills to buy a 40 per cent stake in the mine which will begin production between October 1982 and April 1983. Although he will not give exact details, Mr. Anazawa says a price per tonne has been established for the first year and this will increase each year based on an escalation formula.

Japan has indicated interest in investing in coal liquefaction plants in Canada, particularly in the west, and Canada's energy minister, Mr. Marc Lalonde, indicated in September that foreign investment would be welcome in this area. Preliminary discussions on such a project have been going on since January between the B.C. provincial government and Japanese interests to build a \$5bn plant to use coal from Hat Creek in the south-central interior of British Columbia.

Japanese involvement in the Canadian oil and gas industry have been increased significantly in recent years with both private Japanese oil companies and the Japan National Oil Corporation (JNOC) participating in several projects.

Most significant is a \$30.8m investment by Japan Canada Oil Sands (JACOS) a consortium of JNOC and 67 private companies in the first phase of an oil sands research project near Fort McMurray, in north western Alberta. In doing so, JACOS has earned an option to spend a

minimum of \$74.8m on the project by the end of 1983 by which time it should have a 25 per cent interest in 1,23m acres of oil sand leases.

The project involves a new technique for the development of oil sands that are buried too deep to be mined. Electrodes are driven into the ground to heat the oil sands, then steam injection is used for actual extraction. Petro-Canada, Canada's nationally owned oil company, is operator of the project, and other interests include Canada Cities Service and Esso Resources Canada.

The Beaufort Sea, high up in Canada's Arctic Ocean, has 150 bome a major target for Japanese involvement. JNOC recently signed a letter of intent with Dome Petroleum, one of the country's largest integrated independents, to invest \$400m in exploration in the Beaufort over the next two and a half years. The loan will be repayable from a production share of the first three oilfields developed, although exports to Japan are conditional on approval by the Canadian National Energy Board (NEB), which regulates Arctic energy development, that the volume is surplus to Canadian needs.

The \$400m will be spread over three years and will finance between eight and ten offshore wells. JNOC also has loans for the three fields and to take up to 25 per cent of Dome's share of production, depending on the percentage of

development costs covered by the loans.

The Japanese hope, of course, that their commitment will persuade the Canadian Government to let them tap into eventual production, either by gaining direct access to future oil production or by entering into swap arrangements in which Japanese investors would exchange their share of Canadian oil for the output of producers closer to home. A possible scenario is that Tokyo could be diverted to eastern Canada in exchange for shipments to Japan through the Bering Strait.

Nuclear hope

Japan's interest in nuclear technology has been revived recently and the country hopes to increase nuclear power generation to 15 per cent of total electricity output by 1990. The country's power companies and the Ministry of International Trade and Industry have been pressing for purchase of Canada's CANDU reactors as a bridge between existing and future Japanese technologies. But Japan's atomic energy commission turned down the offer in 1979. The decision may still be overruled, but it would have to come from the Prime Minister's Office.

Whether or not Japan decides to purchase CANDU it is evident that in every other area of the Canadian energy resources industry the flow of Japanese money will increase.

هكمن التصل

UK NEWS - LABOUR

Duffy gives warning to Thatcher on pay deal

By Our Labour Staff

yesterday warned the Government not to make political capital from the fact that the industry deal giving an 8.2 per cent increase in national minimum rates was in single figures.

Senior Ministers have seen the deal as evidence of a new realism among trade union negotiators.

But Mr. Terry Duffy, president of the Amalgamated Union of Engineering Workers, and senior negotiator for the industry's 17 manual unions, said after the unions had approved the deal yesterday: "We can say to the Prime Minister that the only reason we have not gone for further increases or have been on a collision course is because we have recognised the parlous state of the industry because of the effects of the Government's monetarist policies."

The deal, finally signed yesterday, raises the national minimum rate for skilled workers from £73 to £79 a week, £52.50 to £58.50, with corresponding 8.2 per cent increases for the semi-skilled.

The General and Municipal Workers Union was unhappy with the semiskilled provisions and yesterday, with the Sheet Metal Workers' Union, it voted against its acceptance at a meeting of the CSEU executive.

But when that vote was lost, the GMWU agreed to support a motion approving the deal, though the sheet metal workers still held out. In the final vote, however, it was accepted without opposition.

Civil Service pay unit is urged to release reports

By Philip Bassett, Labour Staff

CIVIL SERVICE unions have requested the service's Pay Research Unit to deliver its comparability reports, on which pay rises for the 550,000 white-collar civil servants are normally based, in spite of the Government's decision to suspend the pay agreement.

The unions' request could embarrass the unit, since the primary aim of the suspension of the pay agreement for this year was to prevent the delivery of the reports. These will show due rises substantially higher than the amount for pay which is to be provided under the forthcoming cash limits for the service.

The unit is independent of the Civil Service Department, though staffed by civil servants. But Lord Soames, the Lord President of the Council, who is the Minister with day-to-day responsibility for the service, told Mr. Vernon Morgan, director of the unit, that following the suspension of the agreement, "it will not be appropriate."

The union's council is calling a series of protest meetings

ate for the reports to be delivered."

Mr. Morgan in turn wrote to the unions to tell them the reports, due from November 15, would not appear.

The Council of Civil Service Unions has instructed its solicitors to take the necessary legal action to secure the delivery. As a first step the unions' solicitors have written to Mr. Morgan asking for the release of the report, though the unit is unlikely to reply without consulting the Treasury Solicitor.

The Government has also decided to suspend the publication of the Government Actuary's report on the contributions paid by civil servants towards their pensions, since the Government considers there will now be no reports from which the Actuary can work. A Government inquiry on pensions is expected to report next month.

The union's council is calling a series of protest meetings

next month against the decision to suspend the pay agreement, and it wrote yesterday to Lord Soames to stress the "devastating effect" the decision would have on industrial relations in the Civil Service.

Mr. Bill Kendall, secretary-general of the umbrella body, said the suspension was "clearly and unashamedly in breach of the pay agreement." He wrote: "The Government have frequently complained about unions not honouring agreements and obligations. Your complaints cannot be reconciled with your own record as an employer."

The aim of the system was to remove the service from politics, but the decision breached that.

Mr. Kendall warned that the unions intended to channel their members' resentment into the most effective means "of securing a fair deal. Industrial action is unlikely, however, at least until early next year."

Water men to draw up strike plan

By Nick Garnett, Labour Staff

UNION representatives of 2,000 manual workers in the water industry in Wales yesterday voted in favour of preparing plans for industrial action in support of a pay rise worth about 30 per cent.

The meeting endorsed the claim for an across-the-board increase of £20 a week, consolidation of an efficiency pay supplement, five weeks annual holiday and a 35-hour week.

About a quarter of those Welsh water workers who are members of the National Union of Public Employees were represented at the area meeting. NUPE is the biggest water industry union in Wales.

Water and sewerage workers are again causing difficulties for employers before the start of negotiations, as they have done in the past two years.

Last year Welsh water workers took the lead in threatening industrial action over pay. They showed themselves to be more aggressive over pay than their colleagues in England when they turned down the eventual settlement of 2.4 per cent.

Negotiations with the employers side of the national joint industry council are due to begin in the middle of next month. A settlement for the 33,000 manual workers in the industry is due in December.

The employers have already said the industry has come under increasing pressure from consumers.

They say there is little room for providing extra money for a wage settlement from capital expenditure cuts.

One day stoppage in Cunard flag dispute

By Pauline Clark, Labour Staff

LEADERS OF the 39,000-strong National Union of Seamen yesterday approved a one-day national strike on Monday and gave a warning that more action will follow after the breakdown of negotiations with Cunard in the dispute over flags of convenience.

The breakdown re-opens the possibility that Lord Mathews, chairman of Cunard, will go ahead with his earlier threat to sell the company's cruise ship fleet, including the QE2, in the face of industrial action by seamen.

An executive meeting of the union also decided to continue its blocking of all Cunard ships after formally rejecting the company's latest peace initiative.

The stoppage on Monday is expected to paralyse British-owned cross-Channel ferry

traffic as well as preventing movements of British cargo ships. Four of Cunard's cargo fleets have already been stranded, some for over a week, because of industrial action taken by NUS members.

Mr. Jim Slater, general secretary of the NUS, said a 15-strong executive meeting had voted unanimously against acceptance of a compromise formula under which only one of Cunard's three cruise ships would be transferred to the foreign flag instead of two as originally proposed.

The ships involved are the Cunard Countess, now stranded in Barbados by an NUS sit-in; and the Cunard Princess, already flying the Bahamas flag and sailing with a foreign crew. Mr. Slater said the union was determined that neither should be allowed to operate under

flags of convenience. The more would cost jobs for British seamen, he said, and would encourage other lines to adopt a similar policy and thus lead to a reduction in the British mercantile fleet. "We have instructed our members to strike as part of a 'keep Cunard British' campaign."

"A third of the world's tonnage is under flags of convenience and that constitutes a major maritime hazard already. Flags of convenience carry no effective Governmental control so this breeds pollution, cheap labour and poor seamanship. They are a maritime mafia. It is racist, discriminatory and exploitative."

Although the union said it would listen to any new initiative from Cunard, the company had no comment to make last night.

European textile industry crisis talks break down

MR. ALEC SMITH, general secretary of the National Union of Tailors and Garment Workers, said his confidence in the EEC Commission had been shattered following a meeting yesterday with Community officials on the crisis in the European textile industry.

The meeting between the officials and European textile unions ended abruptly within half an hour when the unions said it was useless to continue. Mr. Smith said afterwards

that his union, along with others in the Community, had to take "direct action to force Brussels to wake up." This would include industrial action, which had been arranged to discuss the Multi-Fibre Arrangement which runs out at the end of next year. The NUTGW said the attitude of the Commission officials yesterday indicated that the renegotiation of the arrangement had been relegated in importance by the Commission.

Productivity talks to break rail deadlock

BRITISH RAIL will meet leaders of its three unions next month to try to break the deadlock which it feels is impeding progress on the longer-term aspects of BR's proposals for improving productivity, which BR officials see as crucial.

The executive of the largest rail union, the National Union of Railwaymen, yesterday resolved to take part in no national level talks on productivity before the rail council meeting in mid-November.

UK NEWS - PARLIAMENT and POLITICS

BR call for commitment on Chunnel

By Lynton McLain, Transport Correspondent

BRITISH RAIL told MPs yesterday it wanted to see "some firm commitment from the Government" about the BR/French Rail proposal for a Channel tunnel within six months of the scheme being considered by the full British Railways board in January.

"A degree of certainty" about the project would make such a difference to the way the private sector regarded the British Rail proposal, Mr. Derek Fowler, the board member for finance, told MPs on the House of Commons Select Committee on Transport.

The private sector is crucial to the future of British Rail's plans for an £500m (at December, 1979 prices) single bore rail-only tunnel. This is because the Government has said any new Channel tunnel project must be financed by private capital.

British Rail said it had talked with the banks about financing the project, and getting "sufficient encouragement."

However, Mr. Fowler said the Board did not want to give the impression that "all of it could be financed from private sources."

"It would be unrealistic to expect 100 per cent risk capital being available for the tunnel project," he said.

He added that "if things just drift along for another year" we would find it very difficult to interest the private sector in financing the project.

British Rail told the MPs that it could not give a "figure for the cost of the project today." But it would involve an extra £100m on top of tunnel costs, for the development of station terminals in London.

Mr. Fowler said: "We would find it difficult to talk this morning about the risk involved in the project." However, the financial risk in the construction phase of the tunnel project would be "very high, but less so when the tunnel became operational."

The risk during building was that the tunnel could be "abandoned," a risk that would have to be identified separately, BR said.

Thatcher stands firm on necessity of cuts

By Ivor Owen

IN THE wake of yesterday's discussion by the Cabinet of the cuts in public expenditure programmes being demanded by the Treasury, the Prime Minister made it clear in the Commons that she would like to see the economy axe hit even deeper than now proposed.

She did so by saying that in some ways she regretted that the Cabinet was not faced with the same objective as that set by Mr. Denis Healey, when as Labour's Chancellor, he called for public spending to be reduced by 5.5 per cent in one year.

Mrs. Thatcher dispensed with the references to normally employed by Prime Ministers when questioned about the issues before Cabinet but, despite being pressed by Mr. Michael Foot, the deputy Labour leader, declined to identify the areas where the principal economies are likely to be made.

The fact that lower public spending and lower public borrowing will open the way for

lower interest rates was again her main theme.

Mr. Geoffrey Rippon (C, Hexham), one of the leading advocates of the Government backbenches of an early cut in interest rates, was cheered by Labour MPs when he forcefully stressed the dangers associated with the Government's monetarist strategy.

He asked the Prime Minister if she agreed that the sharp rise in the money supply and the public sector borrowing requirement was due to the fact that the cost of public borrowing and unemployment was so high.

Mr. Rippon feared that the Government was in danger of creating a society in which money lending was the only profitable venture.

The Prime Minister retorted that there must be no question of printing money to try to get an artificial boom, which would lead ultimately to higher inflation, hyperinflation and higher unemployment.

To cheer from other Tory MPs, she declared: "The Gov-

ernment always stands firm on that absolutely. We will not go to for printing extra money."

Mrs. Thatcher assured Mr. Rippon that she shared his desire for lower interest rates, but insisted that the "key" to getting them down was to reduce the amount of borrowing in the economy.

Public spending had to play its part in that process, she said. Mr. Foot quoted the report in yesterday's FT highlighting the rapid fall in total employment, when repeating his earlier warnings that further cuts in public expenditure must lead to an additional loss of jobs.

The Prime Minister replied that the way to achieve long-term prospects for good jobs was to make the defeat of inflation the top priority.

Mrs. Thatcher reiterated her determination to avoid premature relaxation when Mr. Gordon Bagley (Lab, Sunderland South) told her that those who had lost their jobs in the north east and other parts of the country wanted to know what practical

measures the Government intended to take to alleviate their problems.

Again asserting that in the long run good jobs must depend on the conquest of inflation, the Prime Minister stated: "If we go the way successive Governments have gone in the last 30 years by relaxing and printing money, then each time we finish up with a higher level of unemployment and a higher level of inflation."

"We have to break that cycle once and for all."

Mr. Arthur Davidson (Lab, Accrington) protested that the Prime Minister should feel ashamed for pursuing policies which had brought record levels of unemployment to areas which had never known high unemployment before.

Amid Labour cheers he called on her to stop lecturing his constituents about high wages when they have never had high wages and were still being thrown out of their jobs as a

result of Government policies.

Mrs. Thatcher replied that nothing could alter the fact that British industry needed to become more competitive.

"There is absolutely no way out of that fundamental truth," she said.

Backed by Tory cheers, the Prime Minister contended that deflation was the only alternative policy being offered by Labour leaders and warned that to adopt it would be "catastrophic."

Mr. Geoffrey Robinson (Lab, Coventry North West) argued that so long as sterling remained overvalued to its present extent, there was no chance whatever of whole sectors of British manufacturing industry becoming competitive.

Mrs. Thatcher maintained that only one third of the sharp fall in Britain's competitiveness could be attributed to the value of sterling. The other two thirds, she said, was due to increases in pay not matched by increased output.

Industrial action a threat to BL's recovery, says PM

By Ivor Owen

BL'S WORKERS were urged not to strike by the Prime Minister in the Commons yesterday when she joined with other MPs in expressing concern that industrial action could ruin the prospects of recovery for the company opened up by the launch of the new Mini Metro.

"We earnestly hope that the strike will not come about," she said.

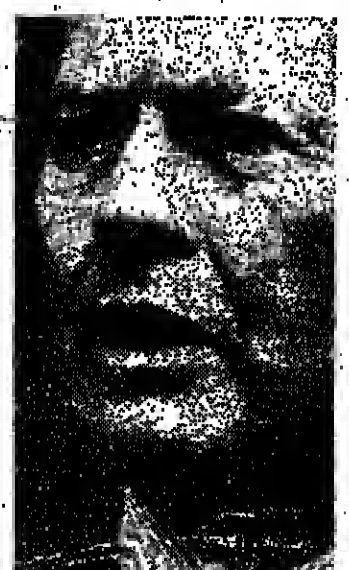
But Mrs. Thatcher emphasised that the Government will not intervene and that conduct of the wage negotiations must be left in the hands of Sir Michael Edwards and the BL board.

Mr. Robert Dunn (C, Dartford), led the warnings about the possible consequences of a strike by stressing that it could only result in causing new damage to BL's image at home and abroad.

Nodding in agreement, the Prime Minister commented: "We are obviously very much concerned that just when BL has a super new car which we have all been doing our very best to promote, there looks as if there may be the threat of industrial action."

In insisting that negotiations must be left to Sir Michael Edwards and the BL board, she added: "They have been very successful up to data and I hope that they will be successful in bringing BL through this particularly difficult period."

Mr. John Hannam (C, Exeter) suggested that BL workers should be reminded that the movement in the Retail



Hannam: "Single figure inflation in prospect"

Price Index over the past three months indicated that a return to single figure inflation was in prospect.

In these circumstances, he said, a single figure wage settlement did not necessarily mean a reduction in living standards.

Mrs. Thatcher replied that everyone was anxious that BL should succeed, and that the Mini Metro should achieve considerable sales.

"It is very ironic that there should be a threat to strike just when BL has restored its share of the market—it is almost up to 25 per cent."

Six-point plan on economy

By Elinor Goodman

THE NATIONAL Council of Labour, the forum which brings together all three wings of the Labour movement, yesterday endorsed earlier calls from the Labour Party and the TUC for an emergency programme to cut unemployment and take Britain out of recession.

The Council, which brings together leaders of the Labour Party, the TUC and the Co-operative Union, put forward a six-point plan to improve the situation in the short term.

It stressed, however, that such an emergency package would do no more than "help to avert the economic collapse brought about by Government policies."

Included in the six-point plan were proposals for cutting interest rates by 4 per cent, a big reduction in the value of the pound and the allocation of at least £450m for employment and training schemes.

Labour Right-wing proposes one member, one vote plan

By Elinor Goodman, Lobby Correspondent

WITH ABOUT half the votes cast in the Labour leadership contest last night, the two sides of the party clashed over the system to replace the existing method of electing the leader.

The Right-wing grass roots organisation, Campaign for Labour Victory, last night formally launched its campaign to stop the National Executive getting the kind of electoral college it wants approved at the special conference in January.

In place of the NEC's electoral college, the CLV proposed giving all registered party members a vote in electing the leader, as the least objectionable way of implementing the conference vote to widen the electoral franchise.

The CLV, led by Dr. David Owen, one of the "gang of three," made it clear last night, however, that in their view the existing method of electing the leader was still the best one.

But if the "narrow and disputed decision" of the conference had to be implemented, then the best way to do so was to open it up on the basis of "one member, one vote," rather than merely extending the franchise to Labour party activists and trade unions as the NEC wants.

The CLV will now try to persuade local parties—and more importantly trade unions—to take up its proposal and so force it on the agenda for the special conference.

Labour MPs will discuss the issue for the first time since the October conference at a special meeting next week. A similar proposal for giving every party member a vote is being put forward by Mr. Joe Ashton.

But the signs are that the Parliamentary Labour Party will find it very difficult indeed to agree on any one proposal in the time available.

More important to the CLV is

getting the support of the big trade unions, which ultimately will decide on which—if any—new system—should be adopted.

Last night, Dr. Owen claimed that there was considerable support among trade unionists for the idea of giving all party members the vote. The CLV rejected the Left's claim that such a change would have the effect of disenfranchising many trade union members.

As Labour MPs began leaving Westminster last night for the weekend, the managers of the four contenders for the leadership—Mr. Michael Foot, Mr. Denis Healey, Mr. John Silkin and Mr. Peter Shore—reckoned that about half the votes had been cast.

Their sounding indicated that Mr. Healey was getting his expected lead in the first ballot, but that there would almost certainly have to be a final runoff between Mr. Foot and Mr. Healey.

Conflict on defence cuts widens

By Elinor Goodman

THE ALL-PARTY Select Committee on Defence looks set to get involved in the controversy over the possibility of big cuts in defence spending next year.

Yesterday the Ministry of Defence and the Treasury were still deciding whether to agree to the committee's request to provide it with copies of all the documents leaked to the Press Association last week. These revealed the negotiations over the Treasury's request for a £500m cut in expenditure next year.

But even if these papers are withheld from the committee, it seems likely that its members will want to examine the implications of possible cuts as part of its ongoing inquiry into strategic nuclear weapons policy.

Mr. Francis Pym, Defence Secretary, is resisting the cuts strongly in bilateral negotiations with the Treasury.

tion of starting a civil war. Could it be that he had renounced his hankerings for the policies of Mr. Heath and embraced the stern gods of monetarism? Not at all.

He was merely droning on about EEC fisheries policy and refusing to get embroiled in a row between Scottish and Cornish fishermen.

He was keeping well out of the battle and applying himself to safe topics such as point boxes and size of the nets used by evil foreign trawlermen who raid British waters.

One thing, however, was certain. If Mrs. Thatcher is to haul in the growing shoals of Tory rebels, she will have to use nets of a very fine mesh indeed. They are slippery fish these wets.

'Spot the wets' time

By John Hunt, Parliamentary Correspondent

A DEFIANT Mrs. Thatcher told the Commons yesterday that appeasement always had the same result—"it gives encouragement to a potential aggressor. That is why this Government will never go the way of appeasement."

The Prime Minister's remarks concerned the nuclear threat from the Soviet Union that might just as well have been aimed at the Tory backbenchers and Cabinet ministers—who are critical of her economic policy.

She was replying to Mr. Robert Adley (C, Christchurch and Lynton) who remains an ardent member of the diminishing band of Conservative loyalists.

He had attempted to put the hounds off the scent by diverting questions away

from the grim domestic scene and into the safer area of foreign affairs.

But MPs were not having it and relentlessly kept up their inquiries on high interest rates and unemployment.

These frequent exchanges have taken on the quality of a formal ritual. The Opposition paints a horrifying picture of the coming Götterdämmerung.

Mrs. Thatcher stands her ground and declares that "our" policy is the only possible answer to Britain's troubles.

The interesting thing is to discover who on the Government side of the House still believes in "our" policy. This game of "spot the wet" requires great patience and finesse.

Yesterday, for instance,

Prime Minister's questions had scarcely begun before Mr. Geoffrey Rippon (C, Hexham) was on his feet demanding lower interest rates. No marks for Spotting him. He had blown his cover some days ago by setting out his critique of Government policy in a letter to The Times.

But for those who remained to listen to business questions, a fascinating cameo was provided by the elegant Mr. Norman St. John Stevas, leader of the House and Chancellor of the Duchy of Lancaster.

Although retaining his adulation for the "blessed Margaret," he now counts as a wet, as the result of a critical speech he made during the Conservative party conference.

Mr. Iain Evans (Lab,

Aberdare) wanted to know if it was true that the Government was likely to introduce an autumn Budget soon after the new session of Parliament starts next month. According to Mr. Evans, even Professor Milton Friedman now disowns Government policy.

Looking disdainfully down his nose, Mr. St. John Stevas replied that he was not familiar with the works of Mr. Friedman. With the resigned air of a man who would probably be the last to get the news, he said he had heard nothing about a Budget and felt sure the Chancellor of the Exchequer would have let him know.

Another potential rebel worth watching was Mr. Peter Walker, Minister for Agriculture, who could be heard disclaiming any inten-

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THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Boom times for Chrysler south of the border

The U.S. group's only major operation outside North America is the jewel in its crown. William Chislett reports

MEXICO CITY is notorious for some of the worst traffic jams in the world. In the rush hours, the streets are a seething mass of honking metal, most of it stationary.

With the Mexican economy continuing to grow at a dizzy rate—seven or eight per cent a year—in real terms—the problem may only get worse. But to the country's motor industry it represents the enjoyable phenomenon of the fastest growth in the world of any significant automobile market.

In stark contrast to its debt-ridden fortunes to the north, in the United States, Chrysler Corporation is leading the way. In the first six months of this year its Mexican subsidiary overtook Volkswagen as number one in the combined car and truck market, with a 28 per cent share. While the Corporation may lose \$1bn in 1980, for the second year running, Chrysler de Mexico turned in a profit of almost \$73m pesos (\$25m) in 1979. It projects a healthy increase this year since sales have surged by the north to 10 per cent of Chrysler Corporation's total.

"We are not trying to do anything spectacular," says Jack Parkinson, managing director of the Mexican subsidiary. "Just keeping up with the economy is spectacular enough." A statement with which Chrysler executives in recession-hit America would heartily concur, though from a very different standpoint. The situation on the U.S. side of the border is, of course, a black cloud to Chrysler de Mexico since the subsidiary's ultimate fortunes are tied to the parent company.

But Parkinson, a slim Canadian, takes it as an article of faith that the Corporation will not fold. Even if it does, he says, it is by no means a foregone conclusion that the Mexican subsidiary would also

go under. Chrysler de Mexico's 1979 report admits that the subsidiary depends to a large extent on the Corporation's technology and parts for the manufacture of vehicles in Mexico.

But its dependence on the parent company is being reduced in accordance with the Mexican Government's policy of forcing car companies gradually to cut down on imports. This forms part of a more general policy of reducing the country's yawning payments gap.

By 1982 every car manufacturer in Mexico must match its imports dollar for dollar with exports. Manufacturers who cannot meet the recommended local content levels must compensate the shortfall under a formula which amounts to exporting more than the equivalent value of their imports. So it is not surprising that Chrysler and other car manufacturers are looking hard for new sources of parts in Mexico.

Until a 1977 decree which specified degrees of local content for the car industry, Chrysler de Mexico was importing about \$3 worth of components for every dollar it exported.

According to Parkinson, the subsidiary is now about 87 per cent "locally integrated" and "practically" matching dollar for dollar imports with exports.

Chrysler de Mexico has not always been so successful. It has been a hard climb to the top. A mixture of good planning, expert market research and good luck have brought it to its commanding position: the second largest private company in Mexico, with Ford only the fourth largest.

Chrysler de Mexico started life in 1958 as Fabricas Automex, a Mexican-controlled Chrysler affiliate. In 1959, Chrysler



Jack Parkinson and his body shop: a Chrysler car is a status symbol in Mexico

bought one-third of the equity stake and in 1971, when the company was making heavy losses and facing the prospect of bankruptcy, Chrysler purchased the majority interest.

By 1973, Chrysler de Mexico, as it was then known, was in the black and advancing. Its share of the car and lorry market was nearly 19 per cent in 1974 compared with Ford's near-17 per cent and General Motors' 12 per cent plus. Chrysler's share rose to almost 22 per cent in 1979 and it is expected to advance still further this year.

The devaluation of the peso by almost half in 1976 caused an economic slump, particularly in the car industry because of its high level of im-

ports. It caught Chrysler de Mexico in the middle of introducing a new range of compact cars.

Chrysler's market research had found that Mexicans liked the front of its Dart. So its compact cars were designed specially for the Mexican market, combining the preferred features of various models in the U.S. The Dart and Valiant names were kept because they were well known in Mexico.

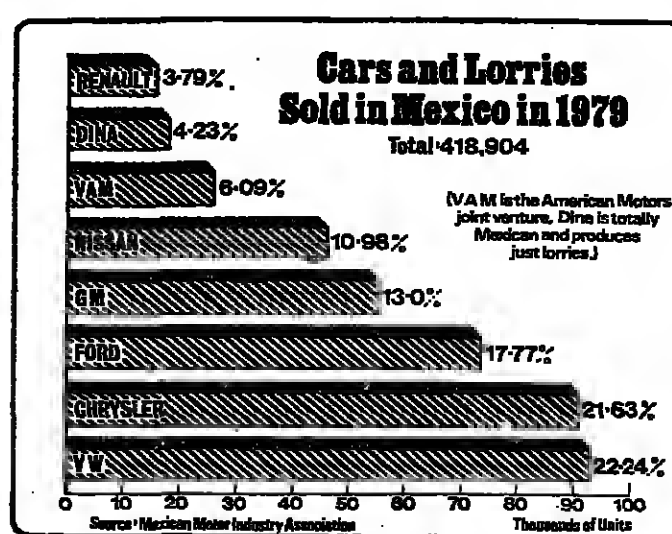
Despite the slump and the rapidly shrinking state of the market, Chrysler took the plunge and went ahead. The new range was a hit.

A year later, the company

began researching the market for the introduction of a luxury car with plenty of gadgets—no longer considered a status symbol in the U.S. Le Baron is now Chrysler de Mexico's main luxury car, whereas in the U.S. it is Chrysler's smaller luxury car. The Mexican version is essentially the same as that in the U.S., but with a few Mexican trimmings such as Mexican leather seats.

Chrysler de Mexico set about developing the image of Le Baron with a slick advertising campaign based on the rich Mexicans' love of French culture. Camera crews filmed Le Baron in luxurious settings in Paris.

Le Baron is considerably



cheaper than its comparable rivals the Ford L.T.D. and Chevrolet Caprice, because of quirks in the Mexican taxation system.

Le Baron became a bestseller overnight. The Mexican automobile market is young and ownership of a Chrysler car (and indeed of a Ford or a General Motors car) is still very much a status symbol.

In the meantime, the company built up an extensive network of dealers, cleverly exploiting the all-pervasiveness of family relations in Mexico. Chrysler encourages a dealer to bring up his son in the business and eventually turn it over to him. If a dealer has several sons, as is often the case in Mexico which has a very high birth rate, Chrysler tries to accommodate the father by extending the dealership.

As a result, a "Chrysler family" has grown up in Mexico. Only 17 of the 7,300

employees are from the U.S. and all the 8,900 Chrysler de Mexico distributors are Mexican.

This has probably helped it achieve a strike-free history, as has the fact that union officials at Chrysler de Mexico stand for six and not two years, unlike for example, strike-bound General Motors. Worker-management relations are less prone to upsets caused by changes in union leadership.

Having established a commanding position, the policy now as Parkinson says, is "to think in terms of forecasting what the Government is forecasting and plan accordingly."

What with the expanding economy, the Government's foreign exchange regulations, and its rules for increasing local content, the company's projected annual average capital expenditure has soared to at least \$100m compared with \$10m in the early 1970s.

But it envisages few cash flow problems as it moves into higher

gear and does not need to lean on the parent company, not that this would produce anything anyway; nor does the Chrysler Corporation take money from the Mexican operation.

Over the years it has built up a high degree of retained earnings, and so can meet a fair portion of its investment plans from its own internal resources. It borrows from Mexican banks, as well as foreign ones.

About 38 per cent of the \$310m-plus of capital expenditure planned for the period 1979-1983 will be spent on a plant for four-cylinder engines being built near the U.S. border.

The first stage of the plant, which will produce 250,000 engines a year and employ 1,600 people, is nearly finished. When it comes on stream fully in the middle of 1981, 320,000 of the engines will be exported to the U.S. for use in the corporation's new K car. The remainder will go to the subsidiary's plant at Toluca, which expects to be producing the K car in Mexico at the end of 1981.

A second stage is planned to cost \$80m, raising capacity to 400,000 engines a year by the middle of 1983. The existing Toluca plant will also be modernised to boost production capacity at a cost of \$50m. The production of the lorry plant in Mexico City will also be more than doubled at a cost of \$20m.

Such expansion is putting considerable pressure on the company to tie up its training programme. By the end of the year, the workforce will have put in about 245,000 hours of training compared with 193,000 in 1979. All of this must be warming the hearts of the Corporation in Detroit and adding some strength to its resolve to recover.

The closer the shave, the wider the margin

BY CHRISTOPHER LORENZ

YOU ARE a senior executive and you work for a small subsidiary of a famous multinational. Your parent is highly profitable, but your own company is struggling to avoid sliding back into the red, as it has so often done before. Along comes a maverick entrepreneur. He buys your company, cuts jobs all around, and then offers you the choice of a certain rise of 7 per cent a year salary, or no increase at all in exchange for the doubtful incentive of an unbelievably generous bonus if you can help return the company to respectable

profit within 12 short months.

You refuse. Your reaction is quite understandable. But you wouldn't make a successful top manager of Remington under the new Kiam regime.

A year ago, under the apt headline "The American company doctor who enjoys a close shave," we described how Victor Kiam, with years of experience as a high-pressure marketing man in women's lingerie (Playtex) and watches (Borus), had bought the famous Remington electric shaver company from its long-standing but dis-

appointed owners, Sperry Corporation (This Page, November 13, 1979).

Despite Kiam's confidence, and the way he had persuaded outsiders to back him to the tune of \$25m, we were sceptical about his chances of success against better-established brands such as Philips and Braun (part of the mighty Gillette empire).

It is still too early for us—along with Philips and Braun—entirely to recent, but it is beginning to look as if we may have to. Not only has the Connecticut-based company paid off its bank debt well ahead of time, but pre-tax profits in its first year under Kiam were several times his projected \$1m. As a result, Remington's credit rating has been dramatically upgraded. Instead of

paying 3.5 per cent above the U.S. prime, it can now borrow at only 1.25 per cent above.

At the same time, Kiam claims to have increased Remington's market share in both its major markets, the U.S. and Britain (he sees the latter as "by far the most competitive shaver market in the world"). The only self-imposed yardstick Kiam has failed to achieve (or surpass) has been diversification into other products.

Much of Remington's revival would appear to result from Kiam's aggressive exploitation of a shaver which had been under-marketed by Sperry. He has also been helped by the dollar's fall and the rise of sterling since the shavers are made in the U.S., he has been able to hold prices steady in the UK. Even before its imminent pre-Christmas push, Remington's UK sales seem to be sustaining the 20 per cent increase that they notched up earlier in the year before the recession really struck.

This autumn, like last year, the irrepressible Kiam will himself be seen in peak viewing time on British commercial television, advertising the top of his shaver line with the slogan "Shaves as close as a blade, or never I'll give you your money back."

Human dynamo Kiam may be, but the success is not his alone. He owes much to the efforts of his assistants, many of whom he took over from

Sperry when he assumed control in March 1979. Their instant transformation from organisation men into entrepreneurs was confirmed by their reaction at the time to Kiam's bonus offer. Instead of sharing in last year's company-wide wage increase of seven per cent, he offered his top dozen managers—half in the U.S., half overseas—the option of a bonus if they came close to

achieving their profit projections.

If they completely achieved the target, the bonus would be 50 per cent of their salaries, which range between \$40,000 and \$60,000. If they achieved only half of it, they would win half of the 50 per cent bonus. Anything in between would secure the same proportion of the maximum bonus. (75 per cent achievement, 75 per cent bonus)

and so forth.) Even by the incentive-minded standards of American business, it was a remarkable offer.

In spite of the decidedly difficult position of the company at the time, only one man refused it. He left—voluntarily—not long afterwards. As will be obvious from last year's eventual out-turn, all the others received the full bonus. For the current year, Kiam has upped the maximum bonus to 75 per cent of salary.

So there should be plenty of eager (jealous?) listeners, next month when Kiam addresses the Marketing Society of Great Britain on "the role of the entrepreneur in the changing world," and, in true American chat-show style, holds forth on radio and TV.



Victor Kiam: "Britain is by far the most competitive shaver market in the world."

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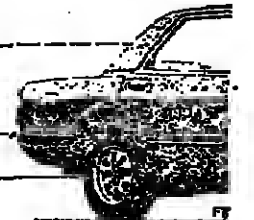


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Technical Page

EDITED BY ARTHUR BENNETT AND ALAN CANE

TRANSPORT

Weights big vehicles

LATEST addition to the portable weighing systems produced by Trevor Deakin Consultants is the Logload which handles loads up to 20,000 kg measuring in increments of 10 kg.

It gives a printed record of axle weight and computed gross weight vehicle weights. The company claims that by using the design of the system of two weighpads, the high costs of heavy components and civil works have been avoided. The weighpads, each measuring 1,200 by 750 mm are installed in shallow pits about 150 mm deep and constructed with centres about 1,800 mm apart. This arrangement allows for the majority of vehicles having wheel spacings with outside dimensions ranging from 800 to 3,000 mm.

The equipment has two main

modes of weighing: in one, each axle is weighed while the vehicle is stationary while in the other, the vehicle is driven over the weighpads at a fixed speed not exceeding 4 km per hour and each axle weight is automatically recorded while the vehicle is in motion.

In both modes, each axle is weighed individually and the total for as many as nine axles is printed to give gross vehicle weight. If the tare weight has been keyed in, this will also be printed and subtracted from the gross figure to record net weight.

Trevor Deakin Consultants (PO Box 4, Rode, Bath BA3 6YA) says that arrangements for UK distribution of the system have been made with Wessex Weighbridges of Bradford on Avon, Wilts.

AGRICULTURAL

Advice on micronutrients

AS ANY good gardener knows, the health of plants is as dependent on minute traces of specific metals as it is on sunlight, nitrogen, potassium and phosphorus.

The metals in question are boron, copper, manganese, molybdenum and zinc—without minute traces of these major micronutrients, plants grow either in a sickly fashion or not at all.

Now an advisory centre has been established to help to provide the technical information on micronutrients required by all sections of the agricultural industry.

The Micronutrient Bureau has been set up in Tring, Hertfordshire under the direction of Dr. Victor Storrocks, formerly of the Malaysian Rubber Research Institute and an authority on boron in agriculture.

The bureau will operate world-wide; one of its basic objectives is to link all those concerned with the use of micronutrients and who wish to see them responsibly and effectively used.

Registers of micronutrient products will be built up, the organisation says, together with their suppliers and scientists carrying out research work.

Quarterly bulletins of abstracts for each of the important

trace elements are being published. The first issue of *Boron in Agriculture*, for example, carries abstracts of work on the control of chlorosis in broad beans and the effect of boron on seed setting in wheat in north Bihar. The bureau can be reached on 044 282 2720.

PACKAGING

Makes the labels disappear

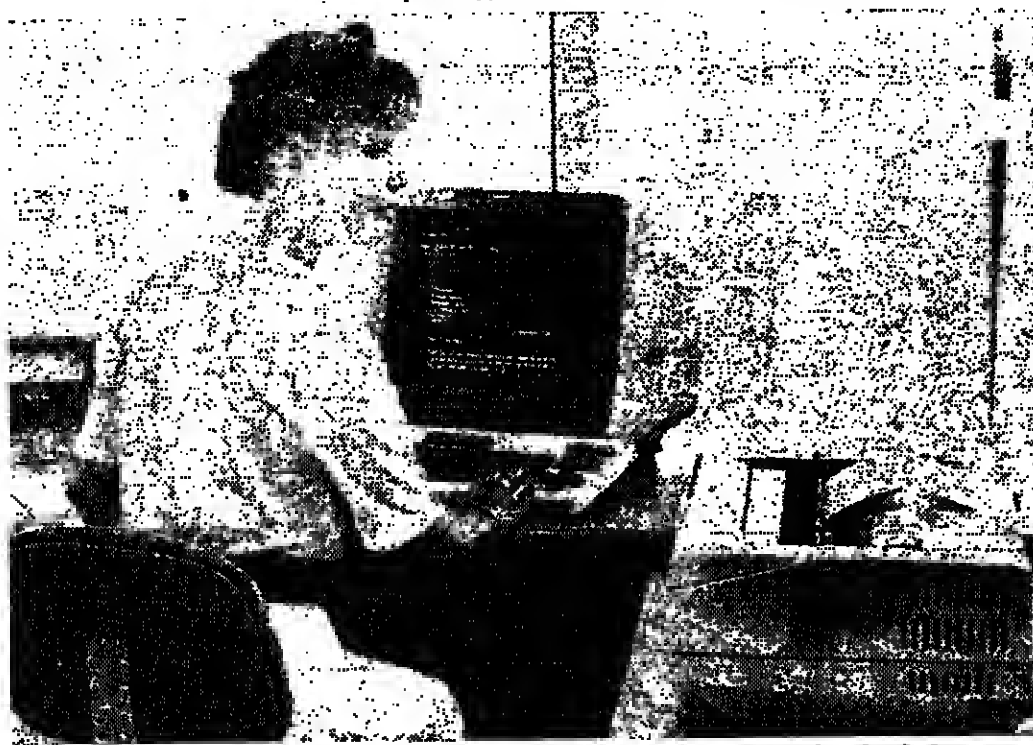
GOOD NEWS for those who have struggled to remove labels from products or presents—such as price tags on plastic, china, glass or metal, mineral water and beer bottles.

There is now a self-adhesive material which can be printed on and, when submerged in water at a temperature of 20 degrees C, will completely disintegrate in less than a minute.

So claims Stamptop Labels, Stockport (06633 3535) which says that once removed the material does not leave unsightly residue or damage surfaces to which it has been applied.

Nexos expects £15m from the typing pool

BY ALAN CANE



No hot air about the Nexos 2200; the processor is tucked away under the desk top

Wang, AES-Wordplex, Vydec, Phillips, ICL and DataLogic.

Despite the size of the market, the feeling among customers and suppliers alike is that the next few years will see the weeding out of the smaller, weaker companies.

The trend is to stand-alone systems, word processors which have their own inbuilt computer power. Characteristically, the system will comprise a keyboard, screen, storage system for text and data and a printer. The Nexos offering, the 2200, fits this description. The machine itself was developed by Logica VTS, a word processing specialist. The printer is made by the Japanese company, Ricoh, under licence.

Nexos has set up a new company, Nexos Leasing, to arrange finance for those who wish to lease the machine for £38 a week rather than buy it outright.

What makes the 2200 special, according to Nexos, is the attention paid to ergonomics, the science of the fitness of tools for human use. "Ergonomics in the design of office equipment is like teenage sex used to be," according to Mr. Christopher Ellis, director of strategy for Nexos. "There is a great deal of talk about it, but precious little action."

The ergonomic refinements Nexos has built into the 2200 are not spectacular—Mr. Moffat says the customer is not looking for revolution but evolution—but it believes they add up to

considerable improvements in the environment for the target customer—the executive secretary.

Mr. Moffat points out that the system uses a fast 16-bit microprocessor, the Intel 8086, which means the screen can be refreshed rapidly to eliminate the flickering found in systems using less powerful processors.

The screen itself is large (15 inch) with well defined characters—these appear as bronze on black or black on bronze following research indicating that this combination is least tiring to the eyes. The Swedish company Datasah uses similar colours on its "Alphaskop" display unit.

The screen face plate is bonded to reduce glare and to give a mellow background colour. The keyboard and the screen are separate units, joined only by umbilical wiring and both can be adjusted to the requirements of the individual operator. What Nexos is proud of is the fact that the system produces little heat so the operator is not constantly bathed in warm dry air. "Some word processors have fans which blow warm air into the operator's face," Mr. Moffat says. "It is like driving at night with the heater on; it is a major cause of eye strain."

There are some slick refinements in the facilities available to the operator; complex functions can be called up at the touch of a button, the machine can guide the operator through simple conversational language and there is a built-in calculator. It is especially adept at dealing with rows and columns of figures.

But no matter how good the machine is, users want service and maintenance. Nexos, through its acquisition of UDS earlier this year, already has a reliable maintenance force.

At worst it reckons to be able to deal with 80 per cent of service calls within four hours—and it will have to give the quality of the opposition.

But Nexos argues that the 2200 is only the start of a stream of products which will integrate into a total office system—the 2200 has communications hardware already built in so it can be easily linked to other office machines—teletypes, data processors and so on. Mr. Moffat says: "Our big customers know that word processing is not an end in itself and they want to deal with a company that is leading them somewhere."

HANDLING

Safe storage of liquids

A CONTAINER made of material which is recommended for carrying wine and liquid foodstuffs is also suited to handling and storage of chemicals and allied products, adhesives, paint, printing ink, cosmetics and perfume, says Van Leer (UK), Van Leer, West Byfleet, Surrey (Byfleet 41161).

Specialty designed with a low centre of gravity for exceptional safety and stability, this rotationally moulded intermediate bulk container (IBC) is a 250 gallon polythene product whose lid has a toggle closing which eliminates the need for a

separate metal closing ring, further reducing the risk of corrosion.

Its low centre of gravity has been achieved by removal of the sump to enable the bottle to sit from nine to 12 ins closer to the stillage, end to replace the function of the sump, the company has developed a new internal channelling feature for the base and valve outlet so that total gravity evacuation is possible.

Van Leer also says this is the first plastic IBC which can also be decanted under pressure. It has been designed to withstand an internal pressure of 3 psi.

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IN THE OFFICE

Reduces the telex clatter

PROMISING to make life in the office more bearable is a telex silencer cover which is said to reduce noise levels in the telex room, etc., by up to 85 per cent—or 14dB(A).

This has been laboratory tested and Post Office permitted, says Noise and Security Appliances, Byron House, Wallingford, Oxon, Oxbridge, Middx. (Uxbridge 59575).

It has a hinged lid and stay which enable the operator to change the roll quickly and easily, a clear hinged keyboard cover, and provision for what the company describes as a unique copyholder which clips to the side of the cover and holds messages. First hundred buyers of the telex cover will get one of these lectern brackets free of charge.

Clocks and calculators fit pockets

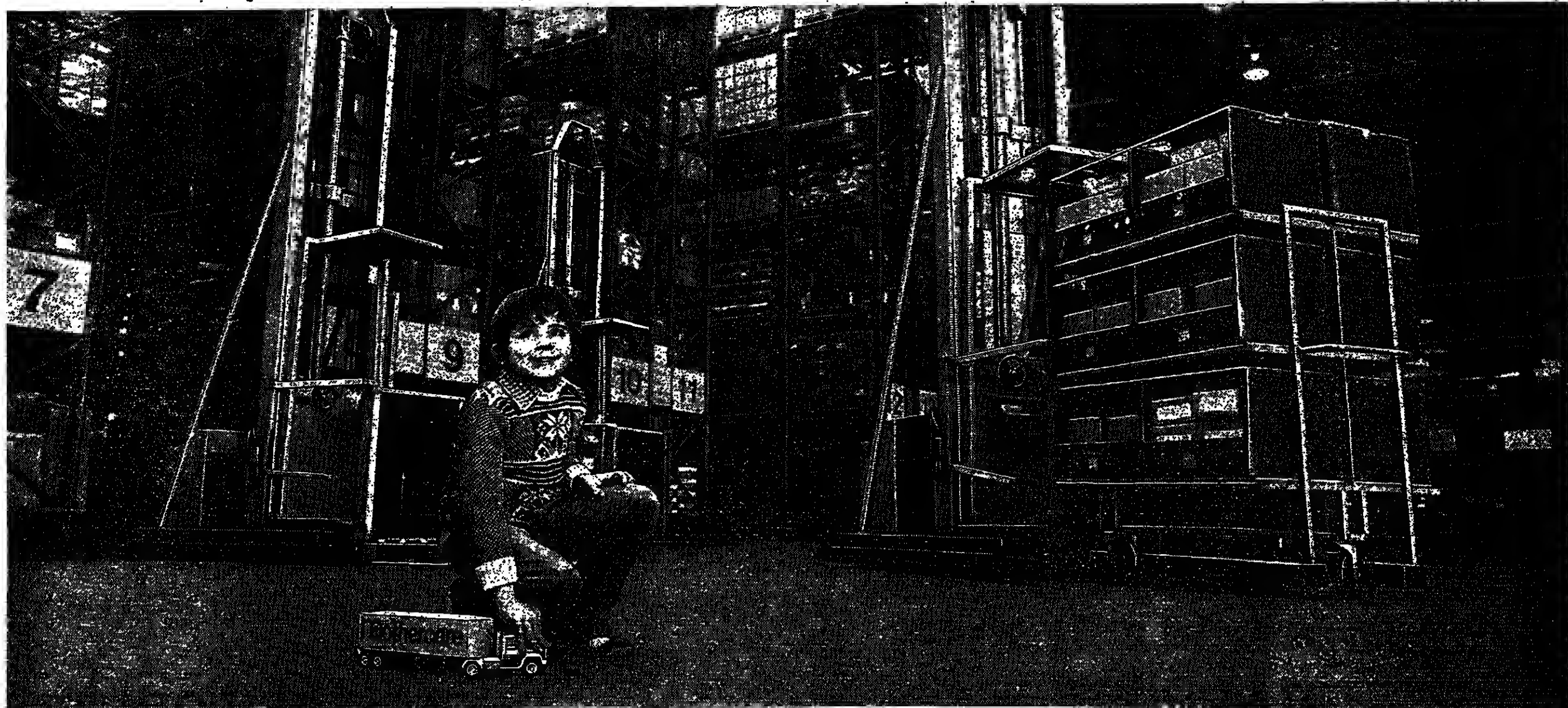
TWO NEW quartz clock/calculators as slim as credit cards or pocket diaries have just been launched by Systema Watch Co., 371 Station Road, Harrow, Middx. (01-427 2352).

A credit card size clock calculator with alarm is called the LC 1501 and will retail at about £14 (inc. VAT).

More sophisticated is the LC 1503 with a large display, two alarms (with different sounds), a countdown alarm (also different sound), 200 year calendar and stopwatch. This is pocket diary size and is supplied in a wallet with window for continuous time display. It costs about £18 with VAT.

Both models have the latest liquid crystal displays.

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FINANCIAL TIMES SURVEY

Friday October 31, 1980

Banking in France

Like most Western nations, France is pursuing a tight fiscal and monetary policy to combat inflation and its ills. Within these limitations, however, attempts are being made by the Government to reduce the highly centralised direction of the economy and introduce more liberal market policies.

Slow process of change

By Robert Mauthner

ONE OF the most striking aspects of the French Government's management of the economy over the past four years has been the stubborn manner in which M. Raymond Barre, the Prime Minister, has pursued tight monetary and credit policies. The fight against inflation, the balancing of the country's external accounts and the stability of the franc on the foreign exchange markets have remained M. Barre's principal objectives ever since his appointment in the summer of 1976. But, if the last target has been attained—the franc is currently at the top of the European Monetary System—inflation has not been brought under control and the second oil price shock quickly reversed an impressive improve-

ment in the trade balance two years ago.

Undeterred by the growing criticism of his policies, incurred by a failure to achieve frequently repeated objectives, or by the marked slowdown in economic activity this year, M. Barre has stuck to his guns. His argument is that, with inflation running at more than 13 per cent over the past 12 months and a cumulative trade deficit of FF 46bn (about £4.6bn) since the beginning of 1980, there is no alternative at present to stringent monetary and credit policies.

The way these policies are applied is by the public announcement each year of a monetary growth target—in the case of France, the broad definition of the money supply, M2, is used—and the direct control of the growth of bank credit by the setting of growth norms.

The practice, since the first announcement of a quantified target for the growth of money supply for 1977, has been to fix the maximum rate of increase at slightly below the expected rise in nominal gross domestic product. But the target has not always been respected, notably in 1979, when year-on-year money supply growth was 13.4 per cent, compared with an official objective of only 11 per cent.

The fact is that, while the system of bank credit growth

ceilings, known as *encadrement* in France, appears to be very rigid, its application tends to be very flexible. Right from the start, there were important categories of credit, such as medium-term export credits, some types of housing loans, credits to small businesses and loans to install energy-saving equipment, which escaped the net. Until the autumn of 1977, they were completely free from any restrictions and were thus responsible for a growing proportion of the growth in the country's money stock, accounting for as much as 34 per cent of total bank credits at the end of 1977.

Stimulation

Since then, the authorities have taken steps to plug this gap in the system. The proportion of unrationed credit growth transferred to the amount of controlled credit, which was set at 20 per cent in 1978 and 30 per cent in November 1979, was raised to 40 per cent in January 1980 and subsequently to 50 per cent at the end of February this year. The figure has recently been reduced to 40 per cent again, but only to help exports and housing, both sectors which were in need of stimulation in the present slack economic climate.

However, the reintroduction of unrationed credit into the

growth norms system was too small to make any difference last year, when non-controlled credit was mainly responsible for the rapid growth of overall bank credit. Indeed, the gap between the rates of growth of controlled credit and unrationed credit became even wider in 1979. Over the 12 months of the year, the increase at an annual rate was estimated by the OECD to be 2.3 per cent for controlled credit, but as much as 27.3 per cent for uncontrolled credit.

The view of both the French authorities and international experts is that the subsequent stiffening of the *encadrement* should produce a better performance in the current year, during which the money supply target has remained at 11 per cent. Though this target has been lowered again to 10 per cent for 1981, that is not quite as restrictive as it sounds, because of the expected slowdown in economic growth to below 2 per cent from at least 2.5 per cent in 1980, which should reduce the demand for bank credit.

If this year's growth in money supply is likely to be close on target, it is also largely thanks to the development of the French domestic bond market, which has been particularly striking this year. During the first nine months of 1980, bond issues totalled FF 87bn, roughly twice as much as during the same period last year.

and they are expected to reach FF 110bn for the year as a whole, compared with only FF 68bn in 1979.

These figures are an eloquent demonstration of the switch that has taken place from short-term to long-term savings, described as a "veritable revolution in French habits" by one respected French commentator. It explains the fall in the deposits of savings banks since the autumn of 1979. For the first time in 10 years, withdrawals from savings banks have almost equalled deposits over the past 2 or 3 months and, in some cases, have even exceeded them.

Instrumental

The Government and nationalised utilities have been largely instrumental in bringing about this development which, according to M. René Monory, the Economics Minister, will allow the Treasury practically to refrain from creating any money this year. Three state loans floated by the Government since the beginning of this year, will have brought in some FF 31bn—almost sufficient to cover the entire budget deficit for 1980.

In order to achieve this transfer of savings, however, the Government and state utilities have been obliged to offer historically high interest rates, well above the current rate of

inflation. Starting with 12 per cent for the first state bond issue this year, the rate has risen by leaps and bounds to 13.25 per cent for the second loan and 13.80 per cent for the third. In the case of the nationalised organisations, the rates have been even higher, increasing from 14 per cent at the beginning of the year to nearly 15 per cent currently. In other words, lending to the Government has become twice as profitable as opening a savings bank account.

The one big drawback of such a policy is the big cost of servicing this debt which will have to be borne by the Government and nationalised enterprises, particularly if the rate of inflation comes down from its present high level in coming years. The only alternative would be floating rate bond issues, but these have not, so far, found real favour with the French Treasury.

Meanwhile, the system of direct controls of bank credits as the chief instrument for keeping the money supply in check continues to be strongly criticised by the banks. Not only does it restrict competition by freezing market shares—and thus penalises the more dynamic institutions—but it favours the large banks and companies at the expense of the smaller ones, they claim.

The reply of the Government, which has made it clear that it favours a dismantling

of *encadrement* in the long run, is that it would be dangerous to abandon the main tool for controlling the money supply as long as inflation is running at its present level. But there are some fundamental arguments against such a move which have more to do with the structure of the French monetary and banking system than anything else.

As a special OECD study on monetary targets and inflation control, published last year, has pointed out, the traditional structure of the French financial system and the money market are such that the central bank cannot easily ration its own credit to the banks, and hence the quantity of reserve money in circulation. Commercial banks are largely dependent on the central bank to meet their reserve money requirements. To prevent sharp pressure on money market rates, the central bank normally provides the banks with the means to cover their liquidity needs.

Upshot

The upshot is that the monetary authorities are not in a position effectively to control monetary expansion directly by controlling bank liquidity, nor indirectly through interest rates.

An important reason why interest rate policy cannot replace the present French

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credit corset as the main instrument for controlling the money supply is that such a large amount of credits are granted at preferential rates, well below market levels. Some 65 categories of soft loans granted by special state financing institutions such as the Credit Agricole, the Credit Hotelier and the Caisse des Dépôts have been identified. Indeed, according to Bank of France figures, loans at preferential rates represented as much as 44 per cent of total banking credits to the economy in 1979.

It will therefore require some very fundamental reforms of the banking system before *encadrement* can be dropped altogether. While a start has been made by the Government partially on the basis of proposals made in the so-called Mayoux Report, only the surface of the problem has so far been scratched.

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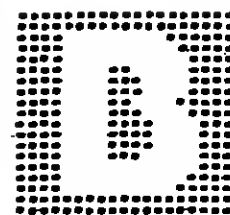
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BANKING IN FRANCE II

Government has master say

Industrial Finance

TERRY DODSWORTH

A RECENT study published by the Bank of France came to the conclusion that almost 44 per cent of the credits given to French industry in 1979 carried an interest charge lower than the prevailing market rate. In one way or another, through direct subsidies or tax privileges, virtually all of these concessions were financed by the State. According to some commentators the report probably understates Government aid of this kind, but what it shows undisputedly is that three centuries after Louis XIV devised the corporate State, the Economics Ministry still exercises enormous control over the direction of French investment decisions.

The idea that the State has the right to create a hierarchy of industrial priorities is fundamental to the French system. Although the present Government has brought in some general reforms designed to inject more market forces into the industrial structure, there is no sign that the apparatus of banks and quasi-banks that influence industry will be undermined.

This labyrinth of privileged lending institutions took on its present form and influence after World War I, when the Paris Stock Exchange began to go into decline as a channel for financing industry. In the period after World War II the lending system was greatly expanded to help the reconstruction drive, with special emphasis placed on housing and local authority infrastructure investment and some aspects of industrial and commercial development as well. Thus by the 1950s the main financing institutions were well entrenched in these various sectors, including the Caisse des Dépôts and the Caisse des Prêts, the Caisse HLM (local authority and housing loans), the Credit National (larger companies), the Credit Hotelier (originally hotels and later smaller companies), and the Credit Foncier (land).

Requirements

By the time General de Gaulle returned to power in the late 1950s, however, there was a clear need to direct more investment funds into the expansion of manufacturing industry proper. These requirements led to the creation of the Fonds de Développement Economique et Social (FDES), which is allocated funds in the annual Government budget to distribute to industry. These aids were designed in general to be channelled through the lending institutions, either in the form of direct grants or privileged interest rates.

Alongside this industrial development process, the Crédit Agricole mutualist banking system, designed to give farmers access to cheap finance, was greatly expanded as part of the Government strategy of encouraging the population shift from the land to the industrial communities. The farming community was slimmed down dramatically, while output was improved through investment in modern equipment.

Since the deterioration of the economic climate in the late 1970s, the FDES has taken on a new importance, while being joined by another "crisis" fund, the Fonds Spécial d'Adaptation Industrielle (FSAI). The FSAI was created specifically to deal with financing industrial change in the hard-hit steelmaking and ship-

building zones over a limited period, although there is a possibility that its FF 3bn capital will be topped up at a later date.

During the 1970s Government thinking also evolved towards the idea of helping industry by direct investment rather than loans. This led to the creation of a number of specialised institutions, led by the Institut de Développement Industriel (IDI), designed to funnel finance into expanding companies either through subordinated and convertible loans or direct equity stakes. Alongside IDI, in which the State is the most significant shareholder, a large number of regional organisations also developed—the Sociétés de Développement Régional (SDR)—to perform the same function, with direct aid from the State, at a local level.

This panoply of banking, quasi-banking and investment organisations has grown up in such an ad hoc way over the years, answering particular needs at particular times, that it now leads to considerable confusion. Many industrialists are in favour of streamlining the system, complaining that raising money has become too complex a business, while leaving too much power in the hands of centralised organisations dependent on the patronage of the Paris bureaucracy.

There are strong indications that M. René Monory, the Economics Minister, sympathises with this view. One of the underlying ideas of his Bourne and banking reforms is to introduce more market forces into the financial system, thus moving away from concessionary financing by means of an administered banking network. Indeed the regime of privileged interest rates raises an almost insurmountable problem in controlling money supply growth through interest rate policy, thus forcing the Government to adopt its restrictive credit ceilings system which locks banks into a process of giving loans only in the same sectors as the previous year.

But, as M. Monory found recently in the reforming aid to small and medium-size companies, there are considerable vested interests against change. It was only after a tough battle that he was able to push through this reorganisation,

bringing together three leading institutions in this field—Crédit Hotelier, Caisse Nationale des Marchés de l'Etat, and Groupe Interprofessionnel des PME.

The new organisation—CEPME—illustrates the way in which different elements of the financial system interlock in France. CEPME will from now on be the main avenue for financing small companies (PMEs), although M. Monory has made it clear that it has no monopoly in this field. It will be 51 per cent owned by the nationalised Caisse des Dépôts and the State, which makes subsidies for the FDES available to this sector through the new organisation. The other big shareholder is the Banque Populaire, the widely-based mutual institutions which had an interest in Crédit Hotelier, mainly to serve as another lending arm to underpin their standing with depositing clients.

Finance for CEPME comes partly by issuing bonds on the market (75 per cent of Crédit Hotelier's funds were raised in this way last year), and the rest from the FDES and special Government credits for specific projects. Many of the interest rate subsidies mean nothing more than the Government making up the difference between the lower interest rates that would be available to big companies borrowing on the bond market and the higher rates which smaller companies without this facility are forced to pay.

Treatment

Small and medium-size companies, and the even smaller "artisan" organisations, are special concerns of the Government at present, thus demanding special treatment of their own. But in global terms Government aid can be roughly split into four main areas.

● The housing sector, where privileged loans are given to individuals and local authorities. Although this lending is not of direct interest to individual companies, it is clearly influential in governing the state of the construction sector. Both the big banks and the Caisse des Dépôts, the highly-influential nationalised body which manages the funds of the savings banks, are active in this field.

● The agricultural area, where the scene is dominated by Crédit Agricole, now rated as the largest bank in the world on some criteria. Crédit Agricole gives soft loans to farmers, funded by tax privileges and the enormous deposits which have become available as farmers bank with the organisation in order to qualify for its credits. Although Crédit Agricole is now being gradually forced to normalise its operations—farming reform is no longer the issue it was 20 years ago—its rates are still highly preferential. In 1979, according to the Bank of France study, its interest charges stood at 7 per cent a year against a normal average of 14.1 per cent on loans in the property and land sector.

● Exports have also been singled out for special treatment in recent years, as France faced up to the problem of paying for its rapidly rising oil bill. Rates for this finance, channelled through the main banks, were situated at around 8 per cent last year for trade with some countries outside the EEC.

● Finally, there is a whole range of investment assistance, mainly directed through the FDES, but also by way of a bewildering series of special credits established for particular circumstances—loans for energy saving investment, for example, or for modernisation of the forest exploitation industry and the Concorde programme. According to the Bank of France study, not all the rates in this sector are clear cut, but the average last year was about 9.5 per cent, while the Special Adaptation Fund, for example, can give loans at between 3 and 5 per cent for a maximum of 50 per cent of the investment.

Altogether, the Bank of France calculates that these different institutions lent some FF 808bn at preferential rates last year. Since 1974 the percentage of these soft loans in the total of credits has been gradually expanding, from a figure of 38.3 per cent to 43.3 per cent last year. This evolution underlines the importance of the Government-assisted sector in France, and gives a clue to why M. Monory is stubbornly aiming to redirect industrial financing to the markets.

Big Three stirred into quiet revolution

State Sector

BY A CORRESPONDENT

THE STEADY push towards a more liberal and less regulated economy by the French Government is starting to have a major impact on the Big Three nationalised banks. Together they dominate the country's commercial banking scene and have always been a favourite target for would-be reformers. In the past, proposed reforms have usually run into the sand after an initial and agitated debate has calmed down. But a combination of technical measures decided by Economics Minister M. René Monory and the dedicated application of monetarist policies in the management of credit markets is now producing a quiet revolution.

Each of the Big Three—Banque Nationale de Paris, Crédit Lyonnais and Société Générale—regularly features in the lists of the top 10 commercial banks in the world when measured by balance sheet totals. This has been both their strength and their weakness in the eyes of successive governments. Their sheer size means they can be major players in international banking—a role the Government is keen to see developed—but at the same time it makes them sitting ducks to accusations they are over-centralised and uncaring about the financing needs of small- and medium-sized businesses in the regions.

These conflicting views have led to a wish both to stop them getting any bigger and to break them up into smaller units.

To his typically pragmatic fashion M. Monory, significantly himself a successful businessman in his private life, has found a way out of the dilemma which has stumped legions of more academically orientated theoreticians. His starting point is simple. He wants to see financially sound banks competing with each other. His solution is effectively to slow down the rate of growth in the Big Three, speed up the growth of small regional banks and at the same time encourage the big banks to give more authority to regional managers.

Each year M. Monory sets a ceiling for M-2 money supply growth (11 per cent this year and 10 per cent in 1981) and

leaves it to the Conseil National de Crédit to translate the ceiling into credit growth norms for broad groups of banks. Systematically, the smaller regional banks have received bigger allocations than the large banks, enabling them to go on lending when the Big Three are fully lent. Attempts to increase lending beyond permissible limits are heavily sanctioned by a system of penalty deposits which must be made interest-free with the Bank of France. In the early days of the credit allocation system the nationalised banks tended regularly to overshoot their allowances, and the penalties cut deeply into net profits.

This situation resulted in a steady worsening of the French banking system's capital-to-loan ratios. By the end of 1978 it had fallen to around 2 per cent, compared with 5 per cent in comparable European countries. M. Monory therefore introduced measures in April 1979 that gave banks three years to improve these ratios. By the end of June 1982 banks with a 5 per cent ratio must stay at that level, those with ratios between 3 and 5 per cent are expected to make up half the difference between current levels and 5 per cent, and those with ratios below 3 per cent must add at least 1 percentage point to current levels by the target date. The careful graduation of the required improvement was specifically designed to help the nationalised banks. But at the same time M. Monory warned them that they should not look to the Government to build up their capital base, as has happened in the past.

Possibility

This left the managements of the nationalised banks with the possibility of earning more profits in order to add more retained reserves to their capital base, and of issuing shares to the public as the only feasible way of achieving the goals. A law dating back to January 1973 already permitted the Big Three to place up to 25 per cent of their share capital with private holders. Until the Monory reform it has been used basically to provide shares for staff, but in line with the new approach Société Générale made a 1-for-20 rights issue in April this year. The Government sold off its subscription rights and the private shareholding in Société Générale's capital duly rose from 8.56 per cent to 12.92 per cent.

M. Monory, with evident delight at the public response to his new ideas, then proclaimed that this operation would be the first of many. But his optimism was quickly doused when Crédit Lyonnais looked at a similar approach. Its 1979 net profits were FF 297m, up nearly 30 per cent on the previous year, but modest compared with Société Générale's FF 511m and the BNP group's FF 584m. Faced with the prospect that an attempt to sell shares to the public against the background of this profit performance might be a less than bowling success, M. Monory reversed his earlier decision to end Government contributions to capital and in May this year lent Crédit Lyonnais FF 500m.

The Economics Ministry smoothed over the outraged howls from other banks, which are denied the possibility of incorporating bond issues in their capital base, by citing the exceptional character of the operation.

After the dust settled the message to top management of the Big Three became self-evident—that top priority must be given to improving profitability—otherwise the share issue route to a stronger capital base will be difficult in an environment of high interest rates, which are squeezing operating margins, a soft economic situation and effectively rationed credit, the necessary profit improvements are calling for exceptional management skills. The comfortable oligopoly which existed for the best part of 30 years after the war has now ended. This is leading the nationalised banks into doing precisely what M. Monory wants—compete and use their resources better.

The large-scale introduction of data processing, the use of remote terminals throughout the extensive branch networks and similar modernisation efforts are helping big banks to hold staffing levels steady or even pare them back. This is enabling the Big Three to handle larger volumes of business at a lower unit cost. At the same time the drive for profits is forcing a close look at the branch network itself and although the overall numbers of branches remain fairly steady there is a move to close down the unprofitable and concentrate in bigger and larger volume units.

The shift away from less-skilled counter clerk jobs is changing the personnel mix slowly and at the same time

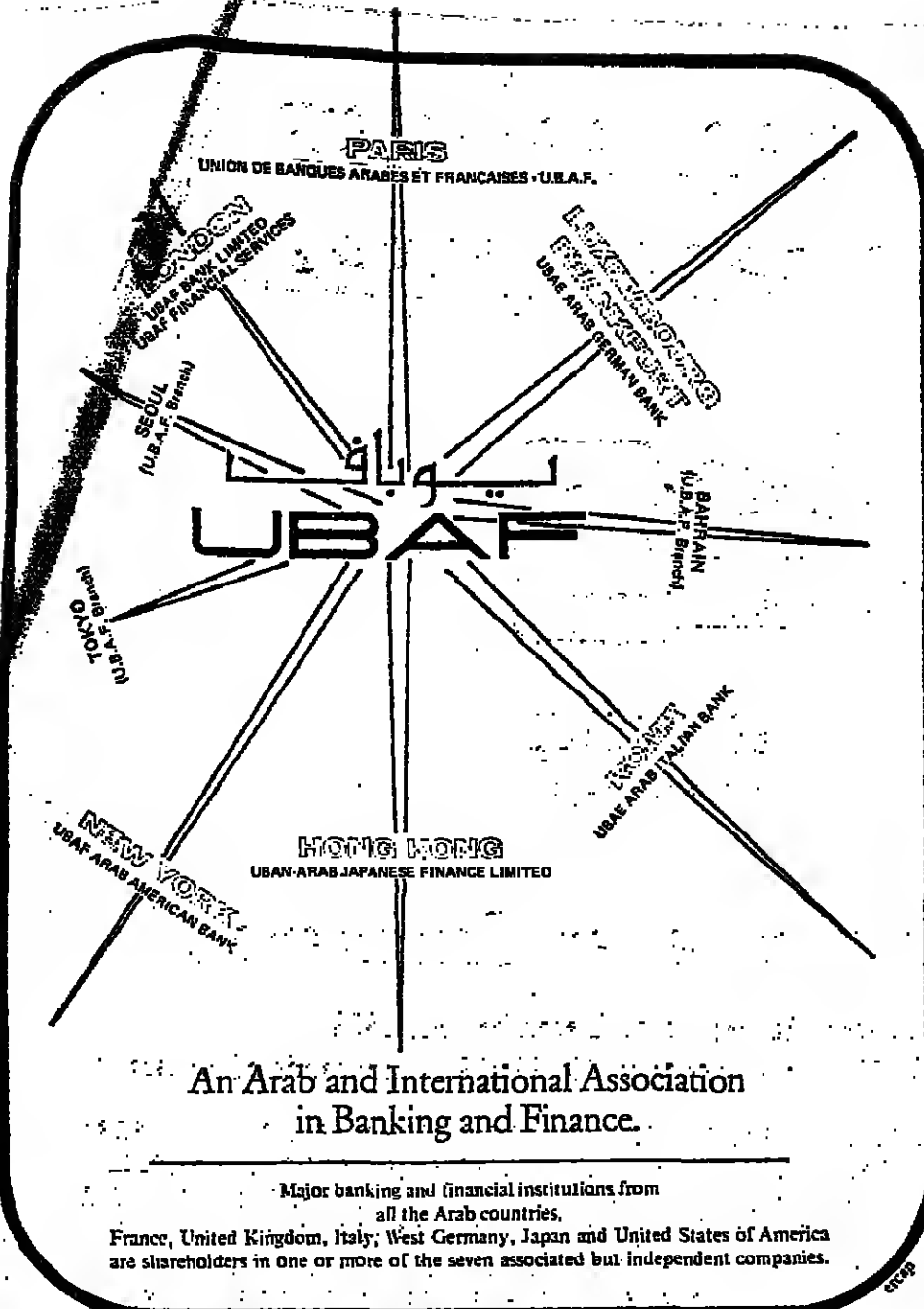
opening up better career prospects for a traditionally demoralised labour force. With a better motivated and more highly qualified staff moving through the system, top management is looking to kill the bureaucratic approach to banking that has bedevilled it in the past.

An important area where the Big Three are looking for better profits is in international banking. The present attractiveness of the franc as a diversification asset for Arab OPEC petrodollar holders, coupled with their interest in placing dollars with non-US banks, has led to a Euro-currency influx of the order of \$10bn to French banks since the start of the year. This inflow is providing the ammunition for all three to enhance their role in the markets and they are steadily gaining the reputation for being skilled and aggressive participants.

Wholesale

Added to their traditional and profitable business in trade financing, this development is leading to healthy gains in profits per employee generated, as well as pushing them deeper into the potentially more rewarding wholesale banking sector. On the domestic side, BNP in particular has been pushing for large retail accounts. In 1979 it achieved its goal of passing the 3m account mark, leading to a relative change in its own product mix partly at the expense of the other two nationalised banks. Views among bankers about the wisdom of this development from the point of view differ, but it is producing a diversity of approach—and some real competition—just the elements M. Monory is seeking.

Despite the Crédit Lyonnais incident earlier in the year, the banking community in France expects M. Monory to pursue his policy of forcing the Big Three into the market place for new capital. If the three banks each eventually arrives at a position of having 25 per cent of its shares held by the public, this will be a reinforcement of the trend now underway. All the indications are that the push for a profit-orientated approach to banking is there to stay. The temptation to live off an even larger percentage of capital to private shareholders will then become almost irresistible to economists like M. Monory—that is a battle for the future.



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BANKING IN FRANCE III

French issues retain prime world rating

Borrowing
FRANCIS GHILES

ALTHOUGH ITS current account has moved into the red this year, France has not resorted on any greater scale than last year to borrowing in the international capital markets. During the first nine months of this year French borrowers raised \$1.56bn of publicised new international bonds and \$1.78bn of syndicated credits from international banks. These figures compare with \$1.64bn and \$1.65bn respectively during the corresponding period last year.

The "missing" funds which some observers believe France has raised during the past nine months are probably accounted for by very private placements such as State companies as Electricité de France have made with some of the wealthier oil producers like Saudi Arabia, Kuwait and Iraq. Funds may also have been raised from Iran's central bank, Bank Markazi, which chose Paris as one of the centres to redeploy its deposits earlier this year after the U.S. freeze of Iranian assets.

Some domestic franc issues have also been larger than usual and there are indications that part of this paper too was placed directly with Middle East investors. The net result of this fairly moderate level of public borrowing is that French names remain very much in favour with investors, notably institutions.

One of the reasons for this impeccable image is that the personalities in charge of French borrowing do not change—any more than does the institution where they work, often referred to in Paris as the "fortress of the Rue de Rivoli". The Tresor (Treasury) remains a bastion of power and is likely to do so for the foreseeable future.

Whether French borrowers are actively raising money in the international capital markets or not, they always expect to get the finest terms of offer. This insistence is the linchpin of the Tresor's attitude towards borrowing in the international markets.

Of course there are the odd occasions when the Tresor does try to have its cake and eat it. There was a famous case when, after having squeezed very fine terms for a borrower it was bringing to the market via one of the leading Paris banks, the Tresor official present at the pricing insisted that the lead manager also provide an assurance that the issue would not drop below a certain price in the secondary market. This "Jacobinisme" is not always appreciated by French or foreign banks, but they usually go along with it.

The Tresor is undoubtedly the most powerful institution in France outside the President's office. It has been thus for many decades and one can trace its influence back to the days of King Louis XIV's powerful leading minister, Colbert.

All-pervasive

The Tresor not only controls the raising of funds but their allocation to other Ministries, State organisations and local authorities. It represents the State on the boards of the country's three large nationalised banks—Banque Nationale de Paris, Crédit Lyonnais and Société Générale. Its influence on State corporations endows it with an all-pervasive means of influencing the country's economic and financial works. France is not only very administratively centralised; it is also a country with a very large State sector indeed.

The banks meanwhile have continued this year to play an active role in the Euromarkets. As in years past Crédit Lyonnais has regularly hit the headlines with syndicated credits which boasted terms yet finer than seen in the market for many years. These loans were always for French borrowers, who appear to enjoy the reputation for hard bargaining they have acquired over the years. Such was the case with a loan for Crédit National last December.

But the finest terms of the year were arranged by Banque de l'Indochine and Dillon Read for a \$200m loan for Crédit National last July which boasted a spread of 1 per cent over the Libor rate. Although higher than the 1 per cent element in a loan arranged

a little later for Gaz de France, the funds raised by the former were cheaper for the borrower than those raised by the latter. Among French banks BNP has taken first place in the league table of syndicated credit managers from Crédit Lyonnais. Maybe as a result, however, it has slipped from second to third place as lead manager of new bond issues. The most notable feature here is that Paribas has sprung from the bottom of the league table to the top in one year. Nobody in the bond market is likely to forget that Paribas led two Eurobond dol-

lar issues for the World Bank in quick succession last June. These were the first-ever dollar Eurobonds for this very prestigious borrower and the first time in three years it had publicly borrowed dollars. Paribas has built up its market-making and trading department over the year to such an extent that it felt able to announce it to the world with this resounding coup. Many investment bankers were aggrieved—but then Paribas, having displayed typical Gallic panache, sat back quietly and enjoyed the effects.

SYNDICATED LOANS
LEAD MANAGED*

| | Jan.-Sept. 1980 | Jan.-Sept. 1979 |
|------------------|-----------------|-----------------|
| BNP | 8.18 (26) | 1.72 (8) |
| Crédit Lyonnais | 7.65 (48) | 3.88 (19) |
| Société Générale | 4.63 (18) | 1.47 (8) |
| Paribas | 4.13 (15) | 0.50 (8) |
| CCF | 2.22 (24) | 0.51 (17) |

(Figures in brackets represent number of deals.)
Source: Capgem International Finance Data Inc.

EUROBONDS LEAD
MANAGED*

| | Jan.-Oct. 1980 | Jan.-Dec. 1979 |
|------------------|----------------|----------------|
| Paribas | 600 | 550 |
| Société Générale | 350 | 430 |
| BNP | 225 | 443 |
| Crédit Lyonnais | 200 | 317 |

* Excluding private placements. Fall amount of each Eurobond issue credited to lead manager or shared among joint lead managers.

In search of wider roles

Co-operative
Banks

DAVID WHITE

BETWEEN THE nationalised and private sectors of French banking lies an important third group—the co-operative banks. Although the biggest of them, Crédit Agricole, has now established itself among the very top names, not only in French but in world banking, the others are curiously little known outside the country.

Although their basic strength still derives from the special functions they were created to perform, the co-operative banks have become progressively less specialised, more like other banks and, by the same token, more resented by other banks.

The main co-operative groups—Crédit Agricole, the Banques Populaires, Crédit Mutuel and Crédit Coopératif—have in one way or another outgrown their original roles. The network of Banques Populaires, at first geared solely to small businesses, was allowed to extend its services to individuals in the early 1960s. Crédit Agricole, founded to answer the needs of farmers, became the sole handler of subsidised farm credits and now has a virtually free range of action throughout France.

Farmers and farm workers, while still providing around 30 per cent of the bank's deposits, now make up only 18 per cent of its customers. The "green bank" has come to be regarded by the banking establishment as the "green hydra"—a kind of parallel civil service gradually pushing out its tentacles into every sector.

Crédit Agricole's privileges were cut back considerably under a compromise agreement reached with the Government just under two years ago. Two-thirds of its untaxed "surpluses" are henceforth considered as profits and taxed at the normal 50 per cent rate, as a result the 1979 surplus came down by almost half to a measly FF 1bn. The bank was told to hold back in the home savings market, where it was taking an ever-growing share, and to play a more effective role in placing State sector bond issues.

The other side of the bargain was that Crédit Agricole would be freer to develop its activities in its own rural and agricultural specialities. As from next year it will be financing non-agricultural businesses in the country and agricultural businesses in the towns.

The controversy, however, is still not settled. The Government is insisting on a new statute for the bank and has appointed three experts to spend the next six months drawing it up.

The Government and the bank have also indulged in a tug of war over the fat surpluses accumulated in past years, the object of sharp criticism from the country's Accounts Court. It has so far been agreed that the bank will keep a third of the FF 900m accumulated in 1975 and 1976 and devote the rest to various assistance projects.

Crédit Mutuel, another fast-growing institution, until recently regarded as a provincial outsider, also had its privileges severely circumscribed last year. Dealing mainly with loans to families and local authorities, the bank, which used to have little

activity outside its base in Alsace, had built up a nationwide network, taking with it a tax-free savings account system run on the same lines as those available in the post office and standard savings banks.

Its deposits in these accounts had been growing by 30 per cent a year as people, having reached the maximum level in their post office accounts, started new ones at Crédit Mutuel. The Government cracked down, prohibiting people from opening concurrent tax-exempt accounts in the future and subjecting Crédit Mutuel to the same corporate tax conditions as Crédit Agricole.

All this provoked a sharp protest from Crédit Mutuel's outspoken Alsatian chairman M. Theo Braun. But if he was not satisfied, neither were competitor banks, which resent the fact that Crédit Mutuel clients still enjoy a privileged tax rate on savings interest. Given the bank's importance as a source of funds for local government, the authorities could not go too far in cutting off its access to funds.

The organisations have developed into complex structures. Crédit Agricole is typical, with two central bodies, one a nationwide federation representing member banks, the other a Caisse Nationale, set up in the 1920s with a Government appointee at its head. Under this are over 90 regional banks and 3,000 local co-operative banks.

Exclusively

The No. 2 group, the Banques Populaires, has three central bodies, a representative organisation, a Caisse centrale and an important finance institution for industry and tourism, Crédit Hôtelier. The network is made up of 37 regional banks and two specialised countryside banks, including one destined exclusively for teachers in the State school system.

Crédit Mutuel, whose origins are German rather than French, since Alsace and Lorraine were under German rule when it was started, similarly has a national federation and a Caisse centrale with a network of intermediate regional bodies between them and over 3,000 local banks. Membership is 1.8m, compared with 3m-plus at Crédit Agricole.

Despite their enlarged scope, the banks continue to play special roles. Crédit Agricole, the one which has gone furthest afield—its activities range from international bonds to package tours—undoubtedly has the most crucial.

The bank says it was duped by the Government at the time of the 1978 agreement. Credit restrictions, it claims, have stopped it from taking advantage of its side of the deal. The Government is unmoved. Crédit Agricole's lending, it says, rose by 16 per cent last year as against 14 per cent for the whole of the French banking system, and the same trend is likely to show up this year, with the total of its loans possibly exceeding FF 50bn.

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| Local Currency (amounts rounded off) | US Dollars |
|---|------------|
| Capital & Reserves | 28,000,000 |

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75008 Paris - France
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| Capital | FF | US \$ |
|-------------------|-------------|------------|
| Reserves | 50,000,000 | 12,400,000 |
| Total Deposits | 600,000 | 150,000 |
| Total Loans | 183,900,000 | 45,700,000 |
| Total Assets | 188,000,000 | 48,000,000 |
| Total Liabilities | 342,000,000 | 85,000,000 |

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| Capital | FF | US \$ |
|-------------------|---------------|-------------|
| Reserves | 50,000,000 | 12,400,000 |
| Total Deposits | 275,000 | 88,500 |
| Total Loans | 829,100,000 | 205,200,000 |
| Total Assets | 600,000,000 | 149,300,000 |
| Total Liabilities | 1,200,000,000 | 298,500,000 |

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| Capital | LL | US \$ |
|-------------------|-------------|-------------|
| Reserves | 25,000,000 | 7,700,000 |
| Total Deposits | 3,900,000 | 1,200,000 |
| Total Loans | 32,500,000 | 10,000,000 |
| Total Assets | 670,200,000 | 205,000,000 |
| Total Liabilities | 538,500,000 | 185,000,000 |
| Total Assets | 892,000,000 | 273,000,000 |

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| Capital | S FR | US \$ |
|---------|-----------|-----------|
| | 2,000,000 | 1,280,000 |

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|-----------------------------------|-----------|
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| | |
|-----------------|-------------|
| TOTAL ASSETS | 710,000,000 |
| TOTAL NET WORTH | 55,000,000 |

December 31, 1979

BANKING IN FRANCE IV

Urged to expand operations

The Bourse

TERRY DODSWORTH

REFORM OF the Bourse is a central element in the present French Government's efforts to reorganise the financial and banking systems. What M. Monory, the Economics Minister, is aiming at in essence is to develop a more flexible and less centralised set of institutions for the financing of industry. This should, it is argued, reduce industry's reliance on the banks—which caused heavy indebtedness and considerable financial difficulties in the mid-1970s—while making companies more responsive to the need to make profits and demonstrate a healthy performance to potential investors.

At the same time the Bourse is being called on to play a significant role in the fight against inflation. To reduce money supply growth the Government has clamped down on bank lending, enclosing it in the tight *encadrement de crédit* straightjacket which regulates the growth of lending by sector every month. Funds therefore have to be sought elsewhere—from profits (which explains the relaxation of price controls to give better margins) or the equity and bond markets.

Even for State finances an active Bourse has grown in importance. The Government has been trying to stabilise taxes while at the same time financing a considerable deficit within strict norms of monetary creation—money supply growth is aimed at a slightly lower rate than the expansion of the Gross National Product.

Thus the authorities have started to go to the bond market to finance more and more of the deficit. Last year the Government raised about FF15bn (\$3.6bn) this way and this year it will seek about FF31bn; during the same

period an increasing percentage of the nationalised industries' needs have been financed through loans.

So far this financial strategy has worked. No one expects banking reform to be achieved quickly — indeed M. Monory has adopted a cautious step-by-step approach. But the Economics Ministry has made a spectacular impact with its policies to revitalise the Bourse, which had been left languishing in a long depression after the post-oil-crisis collapse of seven years ago.

The first step in this process was the introduction of the new celebrated SIGAV units, trusts, an instrument designed especially for the small family investor. The SIGAVs give tax benefits rated on the size of the family, thus attracting the sort of non-professional but serious long-term saver who has tended to avoid the Bourse in recent years.

Attracted

Despite the fact that the growth of real earnings has been reduced to virtually zero in the past year, new investors are still being attracted by the SIGAVs. Some 1.5m to 2m individuals who have never before thought of the Bourse have invested in the past two years, according to the latest figures. The statistics seem to indicate a shift to the SIGAVs from both property and the savings banks, where interest rates, though mainly untaxed, stand at only 7 per cent.

A second element in the reanimation of the Bourse has been provided by the increase in industrial profits over the past two years. Higher profits mean better dividends and therefore more interest among investors, better dividends also mean more money to invest particularly from shareholders who want to avoid capital gains taxes. It is reckoned that French companies will this year distribute dividends of about FF10bn, an increase of 15 per cent on last year.

The development of the Bourse, however, has now reached a critical stage. By world standards it is still a small organisation, with a market capitalisation at the end of last year of FF222bn, against the UK equivalent of FF648bn and New York's 3,910bn. To maintain present interest and thus keep new money coming in it needs to attract more fresh companies to the market. On this score the Monory reforms have not yet shown much success. Last year seven new companies came to the market—four more than in 1978, it is true, but not many compared with some other world stock markets.

These questions lie behind the recently published Perouse Report, which has set out a detailed plan for modernising the Bourse's structure and providing the mechanism for a greatly expanded trading system. The report, commissioned by the Government more than a year ago, has been accepted by M. Monory as a platform for reform. He is aiming to introduce the changes steadily over the next three to four years, though many of them will depend not on legislation but the agreement of the parties involved in the Bourse to abandon their long-established customs and privileges for a more flexible system.

Underlying the Perouse proposals is the idea that the Bourse needs to expand its present volume of trading if it is to play the central role in the economy which the Government would like to see. This means that it has to be brought closer to the public—"popularised and demystified" as M. Monory put it—and move towards the more flexible trading systems used on foreign (particularly Anglo-Saxon) stock exchanges.

The Perouse Commission has set out two main programmes for achieving this change. First, it is advocating the wide-ranging use of modern information systems to open up dealing on the Bourse to more people.

Hours would be extended from the present three hour limits (11.30 to 12.30 for bonds; 12.30 to 2.30 for equities) to six (10.00 am to 4.00 pm), and a number of centres outside the Bourse itself linked up by television to dealings on the floor. Members of the public with an interest in the Bourse would be able to wander into their bank, see what was happening on the share market and put through orders.

Extendable

Such a system would in theory be extendable to the whole country and overseas as well, the technology is more or less available. The effect, Perouse argues, would be to provide the conditions for what the Commission calls a "continuous market"—a method of trading analogous to that practised in New York or London, where investors can inform themselves of price movements throughout the day and buy or sell accordingly. This differs fundamentally from the present organisation in Paris, where prices are fixed generally only once a day according to an average of the orders passed.

The Perouse Commission has also strongly recommended the "dematerialisation" of share certificates. It believes that the paper—and paperwork—involvement in current share transactions creates an enormous administrative blockage which could be removed by allowing banks to run computerised trading accounts for their clients rather than a normal bank account. No certificates would change hands, and the banks would be able to do away with a lot of paper handling—tearing off coupons for paying dividends, for example—which is extremely costly at present.

It is estimated that the banks lose between FF1.1bn and FF2.2bn a year running their share departments. There is therefore a considerable incentive to change—something the banks would almost certainly grasp as they have done in running SIGAVs, where they can spread their administrative

costs. This development, however, will not be easy, given the celebrated French taste for tangible and enigmatic stores of value, such as gold or, in this case, bearer certificates.

Perouse adds that these two main reforms, leaning heavily on the application of electronic information treatment, should be accompanied by a reform of the Bourse tariffs. The organisations that gather in order—banks and stockbrokers—should be given more incentive to deal in larger parcels of shares. At the same time it suggests that the central Government taxes on share deals should be abolished.

There is already a large degree of agreement on the Bourse on the usefulness of the Perouse proposals. No one doubts that the mechanics of the changes he has suggested are feasible. But there will clearly be difficulties in altering the habits and methods of the Bourse operators.

At the centre of these objections is the question of how the continuous market can be organised without a system of real trading on the floor. Paris has no jobbing organisation, no agents on the floor willing to balance buying and selling orders and thus make a price. Prices are "fixed" at a set point each day by stockbrokers calculating an average from the list of orders received. But this does not provide a continuous real-time system for genuine trading throughout the day.

These and other problems have been landed squarely on the desks of the stockbrokers and bankers directly concerned with Bourse affairs. M. Monory has told them that there is a limit to what legislation can do to help. But it is equally clear that as long as he is Economics Minister there will be plenty of pressure for reform coming from his office. If he succeeds in this programme France will end up with a less polarised financial system, in which the banks will play a reduced role, particularly in the financing of industry.

Leading consortia revise targets

Arab Banks in Paris

DAVID WHITE

ARAB BANKING in Paris appears now to be in a chrysalis stage of development. At a time when the West's bankers are waking up to the implications of an increasingly sophisticated Arab banking system, with an increasing degree of penetration in their own back gardens, managers of the joint Arab-Western consortium banks are baying to think hard about what role is going to be left to them.

Paris, which as a financial centre has been well-placed for the organisation of bank syndicates dealing with the Middle East and Africa, has become a main base for this kind of institution over the past 10 years.

Three consortium banks in particular have dominated the scene—Union des Banques Arabes et Françaises (UBAF), Banque Arabe et Internationale d'Investissement (BAII) and Frab-Bank. All launched with the combined backing of Western banks and Arab interests—the latter to a large extent governmental—they all made their names in the business of managing and underwriting international loans.

UBAF, with the biggest capital base, an impressive list of banking names behind it, a network of affiliates in other bank-

ing centres and a very dynamic approach, has cornered the largest share of this business. The first organisation of its kind with so much powerful state backing, it rapidly received large inflows of funds following its founding in 1970. With assets of over \$6bn—some \$1.3bn of which were in the form of deposits—it towers above its rivals.

While UBAF still concentrates to a large extent on its international loan activity, its competitors, BAII and Frab-Bank, have turned to narrow margins and low commissions have led the other two big consortium banks to cut back and look instead for new roles in specialised banking services.

It was largely because of a rapidly expanding line in financing exports of Middle East oil that helped BAII to double its profits last year to over FF1.8bn. Commodity trade financed by the bank—oil, food and fertilisers—almost tripled to \$4.5bn. The arrival of new clients for commodity services and the bank's active role in developing an Arab currency market were cited as prime factors behind a 31 per cent rise in the volume of deposits—most of the money coming from the Middle East. The bank, "deliberately limiting" its growth in long- and medium-term Eurocredits, has instead branched out in the secondary market, in portfolio management and in investment services.

The last couple of years it has fixed one of France's largest ever property deals on behalf of Kuwaiti clients—the sale of the Rhone-Poulenc chemical group's central Paris headquarters—and acted as trustee in the purchase by Saudi interests of a 10 per cent stake in Italy's Montedison group.

Holdings

The bank, which opened in 1974, has holdings in Britain's Hill Samuel—and a joint venture with it in Bahrain—and in Dean Witter Reynolds of the U.S. It has itself been looking in many ways more like a merchant bank.

At Frab-Bank, which was the first of the three to start in business back in 1969 and which is rather different in that its Arab shareholders are mostly private interests, the change in direction is even more clear-cut. M. Yves Bernard, who came from Societe Generale, the State-controlled French bank, to take over as chairman, has spent the last two years holding down the volume of activity while the bank worked out a new strategy. It had already come to the conclusion that it could not compete in the Eurocredit business with the big multinational banks.

M. Bernard also believes that the consortium banks have become financially vulnerable in the current economic climate, and could be severely hit in the event of another Herstatt-style bank collapse. Frab-Bank has cut its dependence on the inter-bank market—judged excessive—from around 85 per cent two years ago to 65 per cent and

reorganised its financial as well as its managerial structure. M. Bernard has made sure that all commitments of two years or more are backstopped covered by resources of equal duration.

All the consortium banks have built up their activity in export credits, which are backed by the Government's Coface guarantee board. Frab-Bank's business in this sector has tripled in the last two years and export credits now make up about 45 per cent of its lending to clients.

Commodity

Like BAII, Frab-Bank has gone into commodity finance, though not so much in oil as in items like cereals and cement. It has developed a big foreign exchange department and built up a highly profitable offshore banking arm in Bahrain.

It is starting up a merchant banking side which at the outset will deal mainly in consultancy. M. Bernard says that after a "less than brilliant" first few years the new-look Frab-Bank is achieving its targets for return on assets this year after a 30 per cent rise in group profits in 1979.

Other consortium banks have followed the Big Three, including the Saudi Arabian-controlled Al Saudi Bank set up in 1976 and the Franco-Algerian Union Méditerranéenne des Banques; more joint ventures are being planned.

But at the same time Arab bankers have been playing a more active role on their own account through offices and branches in Paris. The city now has a couple of dozen Arab banks on its streets—a number swollen by the arrival of Lebanese banks seeking refuge from the unrest in Beirut.

Among the newcomers of the last two years is the Amman-based Arab Bank, the oldest and biggest private commercial bank in the Arab world, which was also one of the main organisations behind the foundation of UBAF 10 years ago. Its chairman, Mr. Abdul Majed Shoman, son of the bank's near-legendary founder Abdul Hameed Shoman, says that the bank continues to cater mainly for Arabs, but has also begun to provide services to French companies, including at least one in the public sector.

The bank's activity in Paris does not, he says, conflict with UBAF, with the consortium bank continuing to be mainly geared to the Euroloan sector and the Arab bank branch to commercial services. In financial services, London still plays the dominant role, but Paris has taken on increasing significance through the tremendous rise in French-Middle East trade and France's recent commercial breakthroughs in countries such as Iraq.

Meanwhile French banks are putting more muscle into what was until recently a relatively sparse representation in the Middle East region. For instance, the three big State-sector commercial banks, which

are key shareholders in the consortium banks—BNP in BAII, Credit Lyonnais in UBAF and Societe Generale in Frab-Bank—have all built up their own networks. The value of the consortium banks in providing contacts is therefore somewhat reduced.

The original raison d'être of the joint-venture banks is rapidly disappearing.

"We've completed the first part of our role," says M. Bernard at Frab-Bank. After a transitional opening stage the consortium banks are having to adapt. In the last 10 years their main use has been to help Western partners to obtain a foothold in the Arab world and to garner Arab deposits. From now on, M. Bernard says, the banks will have to gear themselves more to serving their Arab partners and assisting the process of Arab investment in Europe.

While they can look to a clientele of Arab customers based abroad, the banks will have trouble keeping their share of local markets as banking develops in the Arab world. At the same time the consortium banks will face increasing competition in trade services. Their leeway for growth in the French domestic market is very small, because of the strait-jacket of credit growth ceilings which came in right at the beginning of their development. A recent exten-

sion of the curbs to effect some export credit business has added a further constraint.

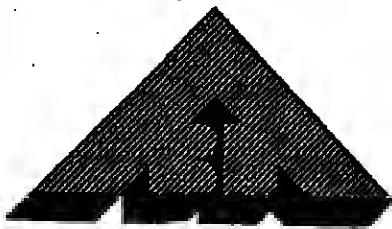
But the banks can find consolation in the ever-increasing store of petrodollars that, they are convinced, will begin to arrive in larger quantities. Various factors have so far inhibited direct Arab investment in France. Until the 1978 general election there was the prospect of a possible Left-wing victory and sweeping nationalisation. There has been the country's array of exchange controls—contrasting now with the position in the UK. There has been a lack of familiarity, France's traditional links in the Arab world having been mostly with non-surplus countries.

According to Arab Bank's Mr. Shoman, the main investment activity to date has been in property, with intensive buying by private interests in Paris and the South of France. But into companies has been very limited. The same applies to the money market and securities. Mr. Shoman explains this by the relative paucity of investment instruments in France compared with the diversified range available in the U.S. or Britain.

But bankers in Paris expect Arab investment in both shares and property in France to increase as the outlets for the use of funds within the Arab countries themselves are reduced and as the Arab banking system gets more ambitious.

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| Capital and reserves | F. 298m |

مصرف النحل

BANKING IN FRANCE V

Commanding presence
for over a centuryFrench Banks
In London

WILLIAM HALL

IN LONDON'S foreign banking community the French banks occupy a rather privileged position. They were the first foreign banks to set up in London and some of them have been operating in the City in one form or another, for over a century.

At the last count there were 20 French banks in the City employing some 1,400 staff. Although the vast majority of them do not publish balance sheet figures, because they are branches, in terms of numbers employed Banque Nationale de Paris is the biggest, followed by Société Générale and Crédit Lyonnais.

All three banks are State-owned and have been represented in London for over one hundred years. They account for around two-thirds of the staff employed by French banks in the City.

Banque Nationale de Paris as well as being the largest French bank in London, also lays claim to the oldest London ancestry. In 1807, the Comptoir National d'Escompte established a London branch. In 1868 the Comptoir merged with Banque Nationale pour le Commerce et l'Industrie to form Banque Nationale de Paris.

The Comptoir, as it was known, was the first of a long line of French banks that came to the City. Three years after it had opened its London branch, the Crédit Lyonnais opened and the latter was quickly followed by Société Générale.

Twenty-four years later Crédit Industriel et Commercial arrived. After another gap, of about 25 years, and in the early 1920s two more French banks opened London operations: Banque de l'Indochine et de Suez and Crédit Commercial de France.

There was another gap of several decades which was interrupted by the arrival of

Banque de Paris et des Pays Bas in the early 1980s. However, it has been the last decade which has seen the biggest influx of French banks. Altogether 12 French banks opened during the 1970s and virtually every major French bank is now represented in London. The only exception is Crédit Agricole.

The latest arrival is Banque Française du Commerce Extérieur. It opened its London branch a month ago and expects roughly to double its current staff level to around 30 by next year. Traditionally, the bank, which numbers the Banque de France amongst its shareholders, did not have overseas branches. But over the last three years it has been expanding internationally at a rapid pace.

Relied

Banque Française du Commerce Extérieur opened a New York operation in 1979 which now has a staff of 60 and will soon be opening in Milan. It left its entry into the London market until later because it relied to some extent on its stake in the London consortium bank, United International Bank. However, following UIB's takeover by Privatbanken of Denmark, Banque Française du Commerce Extérieur was left without any representation and so decided to open a London branch.

M. Jean Francis Charrey, general manager (UK), says that his bank will operate in the Eurocurrency markets as well as provide the normal commercial banking services offered by other French banks in the City. One area he intends to concentrate on is commodity financing—a traditional activity of Banque Française.

The business of the French banks has altered considerably since the Comptoir first opened its doors in London, 115 years ago. In those days, the French banks were heavily involved in financing the cotton trade and had branches in places like Manchester and Liverpool.

These days the French banks have diversified into the broad range of banking activities and in many respects their services are indistinguishable from the

services of the other 328 foreign banks represented directly in the City.

However, because they have been around longer than most of the foreign banks, the larger French banks tend to have more local business than many of the newer foreign arrivals and do not have to rely on the "water-thin" margins in the Eurocurrency market to their overheads.

In particular, the big French banks have led the move by the foreign banks into the provinces. Société Générale, for example, has branches in Birmingham, Bristol, Leeds and Manchester and has recently opened in Edinburgh. Crédit Lyonnais has also developed a provincial branch network. Until recently Banque Nationale de Paris relied on representative offices in the provinces but it has just opened a full branch in Manchester and others could follow.

Aside from building up their provincial branch networks the French banks in London have also been diversifying cautiously into areas such as leasing and commodity financing. Société Générale has its own wholly owned merchant bank in London, Société Générale Bank Ltd, and this has been developing its business with British institutions in much the same way as any UK merchant bank.

When the shares of the French company, Bougrin, were introduced on the Paris Bourse recently, Société Générale

(France) Bank Ltd was instrumental in placing a significant proportion of the shares with UK institutions. The bank also specialises in lending long-term fixed-rate francs to companies in UK companies in need of French financing and has carved out a niche for itself as a dealer in gold-linked French bonds.

Société Générale has also cut new ground among the French banks in London by linking up with Strauss Turbault, the London stockbrokers, to establish a joint secondary market Eurobond dealing operation—Société Générale Strauss Turbault Ltd. Société Générale is a major force in the primary bond market and Strauss Turbault is an important operator in the secondary market.

Among the senior members of the French banking community in London, the most significant change during the year has been the appointment of a new chairman and managing director of Banque Nationale de Paris Ltd, Lord Hunt, former Secretary of the Cabinet, took over the chairmanship of the bank from Sir Patrick Reilly on April 1.

Meanwhile, M. Gilbert Geas—the doyen of the French banking community—has left to take over the chairmanship of BNP's new Californian subsidiary, Bank of the West. He has been replaced by M. Michel Berger as managing director. The latter has worked with the bank in London since 1947.

Long tradition
challengedInter-company
credit

VIVIAN LEWIS

"WHEN I joined this company in 1974 I was amazed to discover that in terms of the volume of loans outstanding we were the ninth largest bank in France. I expect that we are still the ninth largest bank in France today." Curiously, the speaker was financial director of an institution not normally thought of as a bank—the French chemical company Rhone-Poulenc. And what M. Pierre Falcon was talking about was the vexed problem of inter-company credit in France.

In contrast to most industrial countries, France lacks a developed system of bank credit to buyer companies. So for French manufacturers to sell the material they produce, they must themselves carry their corporate customers over periods so long that would result in credit being cut off in most other countries.

For example, in many parts of the distribution system in France 90 days credit is considered normal—and with the end of the month to help matters along it is frequently 115 days before the supplier is paid. The owner of a chain of vehicle parts stores admits that its spectacular recent growth was financed largely by its suppliers. France's ultra-mammoth hyper food distribution system—it is the world leader in "hyper-markets" per capita—was built on the back of the low-margin food processing industry, whose output had probably been sold at the shop well before it had been paid for by the distributor.

This peculiarity of French business life has not been accepted by everyone. With Rhone-Poulenc squeezed for profits by its hefty debt, M. Falcon took the lead in imposing on the group's salesmen a ban of credit managers ordering a normal term for payment of goods of 30-45 days and meeting stubborn resistance every inch of the way.

In distinction from the norm in the distribution sector, one cut-price appliance retailer, Darty, which is one of the fastest growing—surprised the trade by offering to pay cash on the nail. In return it asked for, and usually got, a 3 per cent discount, which it was able to pass on to bargain-hunting appliance shoppers.

A potentially more significant move against the suppliers' credit practice came by the passage of the Law of May 12, 1980, which gives creditors the right of recourse for payment of their goods in the event of the company to which they sold them going bankrupt. Lawyer Hervé Laigo, of the Société Juridique et Fiscale de France, points out that the initial effect of the law may be perverse. "Knowing that they have legal recourse in the event of a crisis may lead suppliers to become more patient." But in the event that the correct legislative and court rulings occur in interpreting the new law, he feels that it will amount to a revolution in French business and banking life.

To some extent, it will be up

to the banks to replace suppliers in funding inter-company trade. M. Pierre Galvy, a specialist in the matter at Crédit Commercial de France, told a seminar on the subject (held by the law publishing house Nouvelles Editions Juridiques) that talk of revolution was premature. "The banks simply cannot take the place of a system that produces FF550bn in credit each year. Credit to buyers will be limited by the system of ceilings on the volume of new bank lending." (The *encadrement de crédit*, pegged to increase by only 10 per cent in 1981.) "Besides," he adds, "even in Germany which is normally taken as a model for France 50 per cent of credit is provided between enterprises."

But others point out that roughly half of industrial bills between German companies are settled in under 15 days. Banks are being called upon—by industry, and by a Bill before Parliament, the Loi Dailly—to develop a system of discounting trade bills. It is not clear whether this system would have the effect of reducing the lengthy terms of payment in France, and in fact, thanks to the usual legal ambiguities, this time about the right of recourse, a bank assigned a discounted bill might have if the buyer went bankrupt; it is far from clear if the bank could be assigned the seller's rights. An enormous amount of defining remains to be done, and the National Assembly every few days is in site of yet another Parliamentary question on the subject of the May law, most recently on October 8.

Inadequate

The rediscounting facilities of the Bank of France are judged to be inadequate for the purpose of allowing banks to discount commercial credits in greater quantities; costs are high and most settlements are based on a 90-day norm. Given the legal ambiguities and the effect of ceilings, banks are not rushing into this new business, and the volume of short-term bank credit (excluding hire purchase) has remained stagnant at FF350bn per annum in the last decade, falling woefully to keep up with inflation. Under the aegis of the Plan, the so-called Mordacq Committee (of which Rhone-Poulenc's M. Falcon is a prominent member) produced a report calling for reform of inter-company credit. The first step advocated was reform of the bankruptcy law to give right of recourse to unpaid creditors owed for goods and services.

It called also for efforts by bank regulatory bodies, industrial sectors and banks so as both to create alternative services to short-term money and shorten the acceptable delay in payment. It is not clear whether the Government is prepared to take the political risk—that this programme would require easing up on credit restrictions would risk fuelling inflation, and adding to the costs of credit—above all at the retail end—would hit the average family's shopping basket hard. The officials of the Plan pointed out one alternative avenue for Government action which is in reach. The Government itself, a notoriously slow payer, was told to speed up payment of its own bills.

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THE ARTS

Cinema

Punk and P. G. Wodehouse

by NIGEL ANDREWS

Sir Henry at Rawlinson End (AA)
Paris Pathman
Caligula (X)
Prince Charles
London Film Festival
National Film Theatre
Wholly Moses (AA)
Warner West End and Local
Forty Guns
Scala and Electric Cinema Club

Sir Henry at Rawlinson End is a scrap of British comic genius shot in messy black-and-white and starring an even messier Trevor Howard — a landed gentry thrasher about as the landed gentry — as the bilious and raving squire of the title. If you never thought to see the day that P. G. Wodehouse goes Punk, pass yourself the Sal Volante; that hour has come. Once upon a time English upper-crust eccentricity was sketched in Arcadian watercolours — tweedy lords bantered non-sequiturs with ally-ess nephews or imperious aunts. Now the tradition has been caught in the machinery of the Overkill Era and the result is wondrous to see: half horrors, half hypnotic.

Last week gave us an American import, *The Blues Brothers*, which showed us the sledgehammer side of Punk: a long series of concussive blows to the brain, eyes and ears. *Sir Henry at Rawlinson End* shows how Aesthetic Aggro — dancing a mad fandango on the graves of our artistic forebears — can actually be united with wit and invention. This film is magnificent. It lampoons the world of Wodehouse while never letting us doubt its devotion to that great comedy-chronicler of the idle rich. Vivian Stanshall wrote the poem on which the film is based and which is used in voice-over snippets in the film: an emporium of hall-dancing celebrating its hero's squarish, archaic battiness and couched in rococo language that makes Dylan Thomas seem austere.

Sir Henry, as indicated above, is Trevor Howard's croaking of commands and epigrams through foghorn voice and facial foliage. Around him cavort a brace of batty servants (Denise Coffey as "Mrs. E" and J. G. Devlin incomparably seedy as butler Serotum), sundry seener-better-days neighbours, and Patrick Magee lending his sepulchral snarl to the corrupt priest Sidden. Sir Henry spends his old age as the last bastion of aristocratic anarchy, a sort of Fendal id running amok over the English countryside. His daily round includes supervising his private POW camp, shooting passing birds and gardeners, and dressing up in blackface and

toilet to tour the country lanes on his unicycle. Meanwhile there are many banquets, much ribaldry, more diarrhoea and for the audience a constant sense of whatever-next amazement.

Impossible to do justice to the film's arrant and quite un-archaic lunacy. One moment the dialogue bales out at us as if from a tongue-twisting Restoration comedy. "Your wit" says Magee to his spiv henchman Harry Fowler, "would not threaten a shrew's brain for occupation." The next, director Steve Roberts is doling out delicious visual asides like Sir Henry's reaction to a blackbird warbling gaily on a fence-post: he swots it off with a swift, unceremonious backhand.

Much of the film is ill-photographed, in erratic monochrome, and the voice-dubbing is casual to say the least. But the movie leaps off the screen with a wild individuality and is certainly a contender for the funniest film of the year.

Caligula is a contender for the most fussed-over film of the year. Produced by Bob Guccione, this gaga glimpse into Ancient Rome, complete with orgies, torture and a wrist-cutting Sir John Gielgud, opens for your pleasure at the Prince Charles. Shorn by the censor of several minutes, it's doubtless safer fare than the U.S. release version, or the version I saw at the Berlin Film Festival back in February. (Mr. Guccione, wary no doubt of invidious comparisons, cancelled the Press preview of the British version; his stated reason in a letter sent to critics being that "it would exceed the average journalist's ability to remain objective and therefore fair in his comments.")

Summoning up my full objectivity and fairness in response to the uncut *Caligula*, I should say that it was the most elegant and driving piece of work ever perpetrated in the cinema's long record of daff whimsies with Ancient History. Moments of giddy charm, mostly deriving from Malcolm McDowell's whirling, dervish *Caligula* and the movie's Decadent Chic settings ("The Hell with historical realism, let's make it look like Michelangelo's *Alexander the Great*"), are few and far between in a welter of gurgling, gaudy criticism; all of it effortful, none of it explicit enough to draw more than a demure "ask-ask" from Aunt Edna.

Hylen Mirren swans through it all holding onto the scenery and her dignity. Peter O'Toole is interminably verbose as



Scene from 'Caligula'

Tiberius, and the above-cited Sir John Gielgud is required to walk eyes-front between lines of naked youths and maidens before opening his veins in the bath. Well, at least one person connected with this production did the honourable thing. Elsewhere, it's Roman history butchered to make a Guccione holiday.

Better news is the forthcoming London Film Festival. This two-week pile-up of the year's best international movies begins on November 13 and looks to be one of the richest LFFs for years. Especially notable is the Veterans Revival Sweepstakes, in which the front-runners are Japan's *Kurosawa* with his new epic *Ran* (it won the Grand Prix at Cannes and opens the London Festival), and France's Abel Gance with a showing of his reconstructed 1927 silent epic *Napoleon*. Five hours long, it shows at the Empire Leicester Square on Sunday, November 30, with a 43-piece orchestra and tickets at £7 each.

Elsewhere, from a vast selection of 90-plus feature films, I can only hint at some of the way and urge you to book now while seats last. (The festival is fully open to the public.) Not to be missed are: Marco Bellocchio's *Le Caiman*, Werner Schröter's *Palermo o Wolfsburg?*, Alexander Kluge's *The Patriot*, Shohei Imamura's

Vengeance Is Mine, Peter Greenaway's *The Falls*, Bill Forsyth's *Gregory's Girl*, Ali Ozgenturk's *Hzel*, Victor Nunez's *Gal Young Un* and Mark Reicher's *Union City*.

That short-list takes no account of appetising-looking unknown quantities among the films — especially in a strong British section — nor of "Special Events" like Martin Scorsese's guest lecture on Colour Photography. In addition look out for the new "Controversy" film, which rounds up cause célèbre films past-and-present, and thrusts before us the kind of movies that Mr. Guccione thinks exceed our powers of objectivity. Go and decide for yourselves.

Making a late and lunging leap into the spoof-Biblical handwaggon set rolling by *Monty Python's Life of Brian*, *Wholly Moses* gets an instant rupture. Deep in Pharaonic Egypt is Dudley Moore: a humble Hebrew he, "Herschel" by name, who, happening to stray onto Mount Sinai when God is dispensing the tablets (the real Moses is just around the corner), surmises that he, Herschel, is the Lord's elect. Filled with delusions of grandeur, he promptly becomes the person you most want to avoid at Egyptian parties: prone to prattle on about his prophetic status and likely to turn water into blood at the drop of a staff, or to speak

warningly of sunny intervals with scattered frogs.

Meanwhile Moses the true strides beedlessly into history, the Nile Valley fills up with a plague of guest stars — Dom DeLuise, Madeline Kahn, John Houseman, Richard Pryor (as the Pharaoh) — and try-hard scenes of many slapstick and anachronism are struck down in a fit of infancy. The real disaster-disease, of course, is plagiarism. Hollywood-style, *Wholly Moses* follows feebly in the sandal-prints, hoisting neither the pioneering nerve nor the new-minting wit of their forebears. Two cheers for Dudley Moore, who cranks up his put-upon Teddy Bear act to try and carry the proceedings, but a resounding thumbs-down for the rest.

20th Century Fox have polished up for your pleasure a brand-new print of Samuel Fuller's spanking 1957 Western *Forty Guns*. In wide screen and black-and-white, this vintage horse-opera by the director of *The Big Red One* is a treat. Barbara Stanwyck cracks a fearsome whip as the lady-rancher heroine, Barry Sullivan is the sere and mellow gunfighter who tries to tame her, and Fuller's camera weaves its gusty, dusty magic across the screen.

Guildhall School

BBC College Concert

by DOMINIC GILL

I remarked the other day that there are in London this season more, and livelier, concerts of new music than there have been for years. Lines seem to be converging: the SPNM, Park Lane Group, New Macnaghten concerts, MusiCA at the ICA — and many others — all play a significant role in this small but vitally encouraging renaissance. And of course there is the BBC: throughout its crises, financial or political, unwavering in its commitment to new music, both broadcast and live. The Thursday Invitation and Round House Concerts are no more; but their place is taken by a still better scheme, now making its third annual appearance, of public College Concerts performed (and recorded for later broadcast) in the concert halls of the Guildhall School and the RCM.

The first programme of the new series on Wednesday continued the now established pattern of a premiere; a repeat of an unfamiliar work and a "modern classic." The orchestra was the London Sinfonietta, and the conductor the young American Richard Pittman. John Buller's *The Melon Debate*, scored for tenor, baritone and six instruments, takes as its text Thucydides' account of the

Athenians' expedition against Melos in 416 BC. It is a riveting story of naked power-politics told with marvellous, dispassionate precision; and it was very brave of Mr. Buller to seek to embroider it with music. Brave, and perhaps (like his choice in other works of Joycean texts) unwise? There are some passing pretty things in his composition — especially some ghostly after-shades, echoes of each declamation, and a very spare and beautiful final page. But the words are not cunningly set, and not nearly often enough audible; without the score and the words to read the BBC really must get round to providing texts in their programmes) the performance could have been a very frustrating experience indeed.

Even as it was, I doubted that Mr. Buller had entirely succeeded in his aim of providing an apt and effective musical context for his story: in itself so much sharper, stronger, cleaner, cut than the rather urbane and delicate web he spins around it. Jacob Druckman's *Arminia* proposed another kind of journey for voice and instruments entirely, but one that was neither as interesting nor as satisfying (nor as transparently honest) as Mr. Buller's — a song

recital recollected in a nightmare ("nightmare" is always a useful composer's reference) of jumbled manners and techniques, 30 minutes long; electric organ and piano, tape, instruments end voice; snatches of Chabrier and Liszt, straight and distorted; snatches of exceeding cleverness — but little of genuine focus, real point.

If either work had caught only a tenth of the dramatic sense and focus of Harrison Birtwistle's *Down by the Greenwood Side* (the implied title of "modern classic," even after only 11 years, is surely right), then each would have made a powerful mark. I had not heard Birtwistle's "dramatic pastoral" since its premiere in Brighton in 1969 and it was a delight to return to — dark and sinuous, shot through with sudden shafts of lyrical warmth, at once funny and deeply sad, unmistakably the creation of the composer who was soon to write *Punch and Judy*. The performance, only semi-staged, was finely gauged, with lively contributions from four members of the National Theatre, and by the Sinfonietta beautifully played — a little work of genius that should be taken into the repertoire of every music theatre group in the land.

St. John's, Smith Square

BBC/Sacher by RONALD CRICHTON

Paul Sacher's appearance with the BBC Symphony Orchestra on Wednesday was not concerned with any of the countless 20th century composers of whom he has been a discerning and enlightened patron. The distinguished Swiss musician gave an all-Baydn programme — an early symphony and a late Mass. There was a good audience, which as usual in the church improved the acoustics. With the exception of one feature to be noted later, reverence and the clear-textured Haydn is especially vulnerable — was not too obtrusive.

The "Philosopher" Symphony (No. 22) is one of the strangest of the long, wonderfully varied series he wrote for Essterhazy. The slow movement, serious and even stern in cast, comes first, followed by two totally dissim-

ilar prestos separated by a stately minuet. Instead of oboes, Haydn used a pair of cor anglais. But behind the seriousness (not solemnity) of the Adagio one senses the men's essential geniality. And since the cor anglais lend unexpectedly deep colour to the trio of the minuet, the symphony in performance has greater unity than description suggests.

The playing captured both the seriousness and the geniality. After the interval the "Creation" Mass (B flat, Novello 4), some 40 years later than the symphony, was done sturdily, with a vigorous contribution from the BBC Singers. From a front seat there seemed to be too little dynamic contrast, and too uniform loudness. This may have been partly the fault of the building. Though the

harmonies did not tangle, the sound in some curious way accumulated. Listeners further back and to the broadcast may have had a different impression.

The "Creation" Mass is less exceptional than some of its fellows, but that amounts to little more than saying that the better is the enemy of the good. There is a fine "Crado" in which Haydn despatches clause after clause with a concision and sense of dramatic contrast that combine superb craftsmanship with total reverence. The "Benedictus," ushered in by hushed horn phrases, is outstanding. The solo parts in Haydn's masses rarely amount to much in quantity but they need good singing. Wednesday's strong quartet consisted of Eddwen Barry, Cynthia Buchanan, Mervyn Davies and Christopher Keyte.

Coliseum

La Bohème by MAX LOPPERT

For Wednesday's English National Bohème (given in aid of the Royal National Institute for the Deaf), the original producer, Jean-Claude Auvray, was back to supervise the proceedings. The appreciable consequence was that all the conveniences and irritations of M. Auvray's staging in Hubert Monjou's handsome designs, instead of being rubbed down by the natural sandstone process of opera house revival, were exposed with new and grating clarity.

The enclosure of the students' attic as a box with access visible to the audience means that much of what should be offstage end unseen (including, on this occasion, the passage of several stagehands) gets dragged into the action. A sub-inematic kind of lighting, involving group "freezes," tampers with the high-spirited comedy of the second act; intermittently, the principals disappear altogether behind the ill-disciplined vivacity of M. Auvray's La Bohème. The excessive superlativity detail are confined to the first two acts (though not entirely eradicated later); they are already sufficient to prove a central point about the opera.

ignored by the producer to its cost; *La Bohème* may not be an opera that "plays itself," but in order that its blend of comedy and sentiment be most fully experienced, that is the condition to which all successful productions must tend.

The impact made by three new players was accordingly more robust than their good quality should have permitted: Sally Burgess, one of the company's brightest young lights, undertakes her first Mimì; the performance is already uncommonly attractive and interesting, though as yet it cannot quite hestride the action ven music and play insist it must. Miss Burgess's soprano, beautifully liquid and sensuous in low end middle registers, goes hard end edgy at the top; against this must already beset the individuality of her vocal utterance (words like "silk and satin" sound wonderfully vivid in her mouth), to delicate portamento stylé the natural stage address. Se alone awake the evening to that "something more" that after countless encounters on still requires from the opera.

John Trevelen's strong tenor

and candid appearance have not quite discovered the romance of Rudolph (I give the French names, though company usage wandered comically into Italian and back). Unusually for an operatic tenor, he responds better to camaraderie than to courtship. Musette is the handsome Penelope Mackay; a lack of total firmness underlined the operetta touch encouraged by the producer's gauntlet of kneeling admirers before her big number.

From the 1977 cast Christian du Plessis, an unusually (but convincingly) restrained Marcel, remains a source of strength. (Mr. du Plessis' Italianate, haritone sounding notably at home in Puccini); likewise John Tomlinson's Colline (despite a tendency to boom his "Coat Song"). James Lockhart, returning to this country after eight years as music director at Casse, has taken charge in the pit. Good, firm playing is a bonus; alert pacing, the product of experience; now that Mr. Lockhart has reminded us of his no-nonsense qualities, he should allow the music to linger and expand a good deal more than he did on Wednesday.

Paris theatre

by NICHOLAS POWELL

The opening of this year's season in Paris has been a gloomy one, leaving one critic pondering whether "la rentrée théâtrale" was not, artistically and socially, a thing of the past; nowadays, people just come back from holiday.

The Theatre de la Ville kicked off, dazlingly, with *Les Corniches* which was to have been the avant garde event of the autumn. Written and directed by a young director, Sami Grenon, Georges Lavaudant, *Les Corniches* is an unmemorable collage of extracts of novels, newspaper clippings and other plays, accompanied by snatches of Verdi, Wagner, Glenn Miller and original punk compositions. The programme explains that the play takes us from Grenoble to Berlin to New York and in a lengthy interview, Mr. Lavaudant intends it to be a marriage of Shakespeare, Chekov, Brecht and Peter Handke. It makes *The Romans in Britain* seem unassuming.

The classics are faring slightly better. The recently reopened Theatre de Paris is presenting a *Mariage de Figaro* which brings "Bismarck's" cluttered text to life. The first production of the play in Paris in 1784 created an uproar. The revolutionary spirit, understandably after two hundred years of literary respectability, is dampened in Francoise Petit's modern version.

The atmosphere is less full of the joyful fight for new liberty than of belly-aching about how unfair it all is. *Figaro*, after all, risks losing his façade momentarily to the Count because of the latter's *droit de cuissage*. Instead of showing virile revolt, *Figaro* slopes around like a sulky shop steward saving it up for a branch meeting. Fortunately the Countess and Suzanne — the real victims, after all — are better acted than their male partners.

The Comedie Francaise has disappointed nearly everybody with a timid look at Molière's *Le Bourgeois Gentilhomme*, by Jean-Laurent Cochet, a die-hard traditionalist of the company. Costumes and set are chocolate box pretty, the danced interludes uninspired. Worse, Cochet turns his back on the satire of the original text, which is about as kind as bear baiting. What was a gutsy "comédie-ballet" for the court of Louis XIV is turned into a pale drawing room comedy. Are middle-class audiences not to be trusted

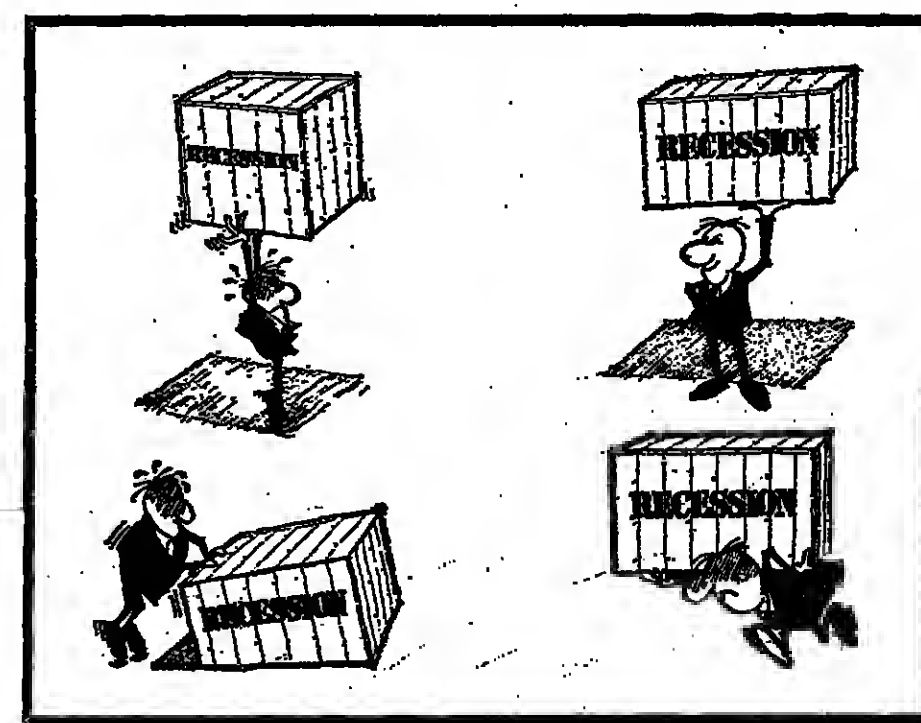
with Molière's harsh look at the follies attendant on social climbing?

As part of this dition, the teachers hired by the bourgeois to endow him with the social skills of a gentleman are played as amiable nonentities. Hence the ideas of laughable, pitiful pretension on the one hand and of exploitation on the other, are lost. What remains is comic star Jean Le Poulain, who last year played a fine *Malade imaginaire* in the role of the bourgeois Monsieur Jourdain.

But given the poverty of practically all the supporting actors and the defusing of the satire, le Poulain can only go for easy, almost slapstick laughs. He plays the ambitious, destructive side of Jourdain as mere foolishness, his greed as innocent hubborey.

Samuel Beckett has already become sort of classic in his city of adoption. *Fin de Partie* — *Endgame* — at the Theatre de l'Est Parisien takes place, orthodoxly enough, in a dull red brick warehouse set, with the letter of the text scrupulously respected. And when much French theatre is apoll by over-acting, the Theatre de l'Est is not innocent of the charge. It is a pleasant surprise to see director Guy Rotore, tuning down the characters. The fundamental images of impotence and hopeless dependence remain, with Hamm and Clov more tragic than comic.

Boulevard theatre is what is working best this year. It seems. At the Theatre Athénien they have wheeled out *Che Menteur* — *Dear Liar* — Jerome Kilty's entertainment based on the letters of George Bernard Shaw and Mrs. Campbell. The translation is by Jean Cocteau, the costumes by Yves St. Laurent and the characters played by monsters sacrés Jean Marais (Jean Cocteau's friend) and Edwige Fenech. On stage, both are too busy being themselves. Marais, in dinner jacket and dickie how cultivates a raucous voice which, one supposes, is typical of Irish dramatists. It grates and no other trace of personality comes through. Edwige Fenech is very Paris West End in a succession of St. Laurent gowns. Her hair we are told is styled by Philippe Houvet, her make up by Institut CR2S and her shoes by Mancini. As someone said during the interval, with mediocre actors the play would be nothing at all.



Wrestling with Recession

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The Financial Times published a series of articles between September 29 and October 17 looking at how 15 British companies are facing up to recession.

These articles have now been reprinted as a booklet and are available at a cost of £2.50 (includes p & p).

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Wexford Festival—2

Edgar by DAVID MURRAY

Another brave Wexford revival is Puccini's *Edgar* — his second opera (the first was *Le Villi*, originally just a one-act), twice revised and still a breath-takingly silly confection. It boasts only one principal stylish enough to do full justice to the young composer: Terence Sharpe as Frank, the baritone rival and eventual boon companion of the tenor hero. His crisp attack and big verbal inflections were finely judged and sonorous. Nico Boer's *Edgar* maintained a lusty ring, once past some indeterminate singing in the first act, and pleased the house well enough, but he was unmemorably loud in music which needed more tenderness and grace to blossom.

Like his ladies — sufficiently identified by their names, *Fidelia* and *Tigrana* — he regularly spread our dotted-notes which give point and precision to Puccini's line. Magdalena Cononovitch's *Tigrana* was

happiest in a lush mezzo register, always a little vague of pitch, and never offering the clean cutting edge that the heights of the art require. (Puccini first conceived the role as one of wild fanatic intensity and vaulting ecstasies; the final revision reduced some of the hazards, but a character of the writing remains unmistakable in who remains). Roderick Kemmy sang staunchly in a exiguous paternal role. To *Fidelia*, Iris Dell'Acqua brought much mugal intelligence, and stouthe timbre; there were moments of pretty, Straussian expansiveness, but little sustained Italianate line. Roger Chapman stage the piece fairly halldly; it isn't ear than any alternative would be better. The music and dramatic traditions of the opera stark and clumsy, though arly all the substantial numbe reveal

the authentic Puccini, precociously individual.

The plot, as it stands (*Tigrana* had more ambitious villainy to her credit in the first draft, and her reduced malevolence leaves everybody under-motivated), is impossible. "Tigrana begs *Edgar* to throw off his gloom and to return to their pursuit of lust," forsooth! Mr. Boer did not look remotely like a man subject to such temptations in any case, though Act 2 began with strange maidens helping him into very peculiar breeches. Robin Stapleton did not secure seductive playing from the orchestra, least of all the violins; what he did was decently idiomatic, but he turned Puccini's big Requiem set-piece into a lumpy false ryste, and generally gave his players and singers their heads where more scrupulous shaping and restraint might better have shown the measure of Puccini's developing talent.

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Friday October 31 1980

Facing up to an emergency

WHILE THE man in the driving seat, still seeing the lowest petrol prices of the year in the garage forecourt, may well feel that easy supplies are still one small compensation for a world recession, the financial markets now think they know better. As the military stalemate between Iran and Iraq drags on, and positions are declared ahead of the OPEC price review in December, the prices of oil shares and in the spot market are now moving to discount the possibility of yet another sharp rise in the price of crude oil. What was a theoretical possibility at the start of the Middle East war must now be ranked as a real danger.

After the experiences of recent years, the possibility of an oil price rise of 20 per cent, or about half that in real terms, may look like a misfortune rather than a disaster; but in the present state of the world business cycle, the threat is a grave one.

The present recession has mined action on the part of governments in consuming countries to ensure that real incomes are cut promptly in response to a deterioration in the terms of trade. The hope has been that because the demand pressures which would have prolonged the inflationary spiral and the struggle to contain it have thus been reduced, the recession would be a relatively mild and short one.

An oil shock, coming on top of a poor harvest in the main producing countries, could undermine this strategy and turn recession to slump—or compel Western governments to ease their anti-inflationary stance with the grave long-term risks which would imply. Thus in spite of current high stock levels and the subdued demand for oil, the price threat does pose the possibility of an emergency in terms of economic management.

The temptation for Western governments is to hope that the moderates within OPEC, who well know that a dependent economic and financial crisis would threaten their own strategic and investment interests as well as the welfare of consumers, will somehow hold the line. Certainly it can be argued that a large price rise is not even a particularly rational response to a very temporary situation. In due course the conflict will be resolved and the combatants,

who have suffered heavy material loss, will be eager to resume their own sales. A resumption of Iraqi and Iranian shipments, in what would then be a still more depressed market, would soon produce an exaggerated repeat of the recent over-supply in the market, and a heavy downward pressure on the price. The aim of the Saudi moderates, to reimpose unified pricing and so present a solid front to win a stable real price for oil, would be lost.

However, it is clearly not easy for the Saudis to persuade other producers to forgo possible short-term gains, whatever the long-term implications. Other Gulf producers have joined the Saudis in raising output to fill part of the gap left on the supply side, but have coupled this with demands for surcharges, so far resisted. The OPEC record does not encourage hopes of wise strategic decision-making.

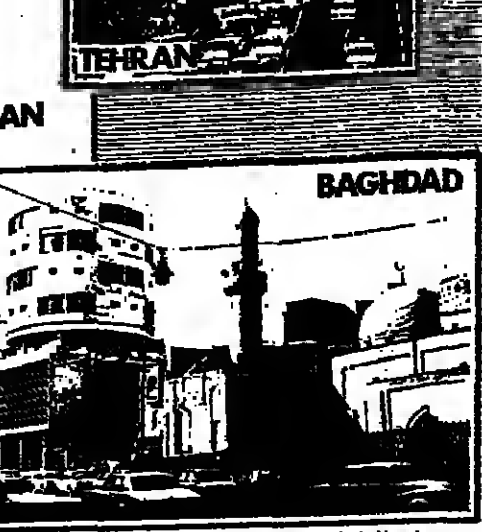
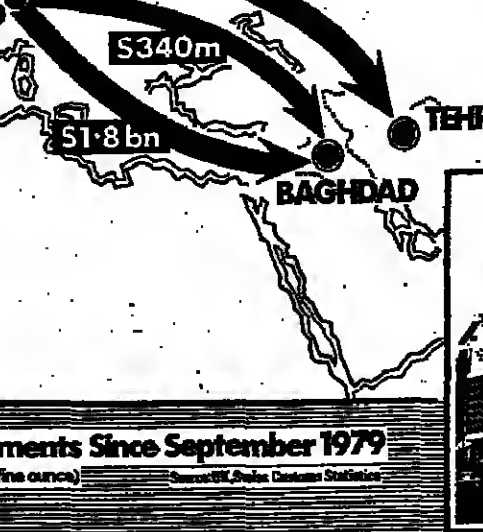
In these circumstances it is reasonable to ask whether the consuming countries could not show a little more activity in face of a possible emergency. The case for quietism has until now seemed persuasive. A display of *song froid*, based on the possession of large stocks, has helped to maintain calm even in the spot market until very recently.

However, the line between measured calm and head-in-the-sand can in some circumstances become a narrow one; and we may now be facing a situation where the resolution of the moderates not to take damaging decisions in search of short-term rewards could be bolstered by some display of resolution on the part of consumers.

Contingency policy

What might be helpful is not any immediate action which would indeed be absurd at a time when stocks are still so high as to pose problems for the oil companies, but some public moves to agree on a policy for contingencies. If it were clear that in threatening short-term circumstances the consumers were prepared to take painful action to conserve high stocks, and maintain a favourable market balance by acting on demand, the temptation to provoke such action through the price mechanism would be reduced. Quietism can help to preserve calm, but if it is maintained too long in changed circumstances, it can simply strengthen the delusion among the more militant producers that they alone dictate events.

GOLD TRAIL TO BAGHDAD AND TEHRAN



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TEHRAN

S8bn Assets Frozen

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The story of how not to make a cut

THIS IS a story about expenditure cuts. It is not dramatic in that it produced no Cabinet resignations and no great savings, either. But one suspects that it is rather more typical of the battles now going on in Whitehall than (say) the Treasury pitch for £500m off the defence budget.

The story goes back to 1966 when Mr. Anthony Crosland was Secretary of State for Education and it concerns the fees paid by overseas students for higher education in Britain. It is really about middle, inter-departmental squabbles, short-term decisions and lack of any central direction.

Until the mid-1960s overseas students paid the same fees as home students. But the Treasury was looking for savings and one relatively painless way of finding a few million pounds was to introduce an element of discrimination. Mr. Crosland agreed to raise the overseas fee to £250 a year while the home fee was set at £70. There was a certain amount of moral indignation, yet a principle had been established: when looking for marginal savings, put the pressure on the Department of Education and overseas students. Only minority will object to foreigners being made to pay more. (No-one should argue that an ungenerous approach to aid policy began with Mrs. Thatcher.)

There was also the argument that discriminating against overseas students made it look as if you were doing more for home students. In fact, overseas students came as a result of higher fees, there would be more room in the universities for the British. The idea of a permanently expanding British university population still held good.

Thus in 1969 Mrs. Shirley

PROPORTION OF OVERSEAS STUDENTS IN UK HIGHER EDUCATION

| Year | Total enrolment '000 | Overseas '000 | Overseas % |
|---------|----------------------|---------------|------------|
| 1971-72 | 464 | 26 | 5.6 |
| 1972-73 | 475 | 30 | 6.3 |
| 1973-74 | 481 | 34 | 7.1 |
| 1974-75 | 487 | 40 | 8.2 |
| 1975-76 | 505 | 48 | 9.5 |
| 1976-77 | 516 | 55 | 10.7 |
| 1977-78 | 510 | 57 | 11.1 |
| 1978-79 | 505 | 58 | 11.4 |

Source: British Council Statistics of Overseas Students in Britain.

Williams issued discussion proposals designed to make the admission of overseas students more restrictive. In 1976 another Labour Government went further. Mr. Fred Mulley, then Education Secretary, announced that the Government "cannot accept the continued rapid growth in the number of overseas students coming to our institutions. . . I am therefore proposing to ask universities and local education authorities to aim at overseas student intakes in 1977-78 and subsequent years which will stabilise total numbers at recent levels."

The Tories therefore had ample precedent for having another go at overseas students when they returned to office last year. On June 12, 1979, they

raised the overseas fee by 20 per cent in an attempt to achieve a saving of approximately £50m in that financial year. In November of the same year they went further. While stressing the need to give priority to home students, the sought an annual saving of some £100m by declaring that "as from the start of the academic year 1980-81, all overseas students who begin courses of higher and further

education in Great Britain will be expected to pay a fee covering the full cost of tuition." The only reason why the issue does not figure in the present round of expenditure cuts is that there appears to be nothing left to cut.

Yet the problems have not been resolved. Indeed, it is doubtful whether they have even been defined at government level.

Mr. Crosland's original decision to raise the fees for overseas students had only a brief effect in controlling the numbers. The peak figure for overseas students at public institutions in Britain in the 1960s was about 36,000. That was the year before the fee differential was introduced. The numbers fell back to around 31,000 by the end of the decade, but began to rise sharply again in the early 1970s. By 1976-77 there was a total of about 55,000.

Mr. Mulley's overt attempt to control the numbers did not work, either. There is a caution here in that all figures on the subject tend to be two or three years behind the times, but for 1977-78 the number of overseas students receiving higher or

further education at British public institutions was over 58,000. The general belief is that it continued to rise rapidly in the next two years.

There have also been some striking changes in the profile. Since the early 1970s the number of British students in higher education has been virtually stagnant. From 1971-72 to the end of the decade, the enrolments rose by only 2.7 per cent. In the same period enrolments by overseas students rose by 123 per cent. As the table shows, overseas students accounted for 11.4 per cent of students in Britain in 1978-79 as against 5.6 per cent seven years before. In the 1990s the home student figure is likely to fall dramatically, reflecting changes in the birthrate.

The figure of 11.4 per cent is, of course, an average. At the University of Leicester, for instance, overseas students account for only about 4 per cent. But at other institutions the proportion is considerably higher. At the University of Manchester Institute of Science and Technology it is 34 per cent. When it comes to postgraduate studies, overseas students con-

stitute 37 per cent of the total enrolled.

The breakdown by subject groups is even more startling. In engineering and technology 57 per cent of all postgraduates studying in Britain are overseas students. The figure for agriculture and forestry is 56 per cent and for medicine 44 per cent, and the latter figure would be much higher if there were more facilities.

A further breakdown by individual subject reveals that 70 per cent out of a total of 885 students on university-taught postgraduate economics courses are from overseas. As for research courses in electrical engineering, overseas students account for 54 per cent out of a total of 965.

There are also some interesting figures about country of origin. It is unlikely that anyone unacquainted with the subject could make an accurate guess about where the majority of overseas students comes from. Malaysia and Iran account for over one quarter of the total between them. Along with Nigeria, Hong Kong, the U.S., Greece and Sri Lanka, they account for half. India, which

COUNTRIES WITH MORE THAN 1,000 PUBLIC SECTOR STUDENTS IN THE UK

| 1969-70 | 1977-78 |
|-------------------------|-------------------------|
| 1 U.S. 2,360 | 1 Malaysia 12,556 |
| 2 Malaysia 1,713 | 2 Iran 10,079 |
| 3 India 1,668 | 3 Nigeria 6,251 |
| 4 Pakistan 1,577 | 4 Hong Kong 4,585 |
| 5 Nigeria 1,473 | 5 U.S. 3,415 |
| 6 Kenya 1,275 | 6 Greece 3,225 |
| 7 Sri Lanka 1,179 | 7 Sri Lanka 2,353 |
| 8 Sri Lanka 1,153 | 8 Iraq 2,163 |
| 9 Iran 1,074 | 9 Singapore 1,718 |

Source: Committee of Vice-Chancellors and Principals.

used to be near the top of the list, is now down to 15th place. No Common Market country figures in the top 20.

Last it be thought that this is a peculiarly British issue. It should be said that other developed countries have been experiencing a similar explosion in their overseas student population. A table compiled by Unesco for 1978 put the U.S. first with 203,000 overseas students, France second with 98,000, Britain third with 56,000, followed by West Germany (34,000) and Canada (19,000).

Yet it is precisely because this is an international phenomenon that you would expect the Government to seek to develop a coherent policy.

For example, given the decline in the home student population, does Britain want its universities and polytechnics to become increasingly a centre for students from overseas? Is it not alarming that so many overseas students—and so few British—should apparently regard British courses in engineering and technology as worthwhile?

Again, one wonders whether the overseas students are com-

ing from the right places. Certainly there appears to be no correlation between the countries most heavily represented and the level of their bilateral trade with Britain.

It is right that there should have been an argument about fees because clearly many of the parents of the overseas students can afford to pay the full cost, and more. But there is a distinction to be drawn between selling education to the highest bidder and providing scholarships or grants to the able poor. In the past, there used to be a strong element of foreign aid in the idea of educating overseas students at British universities, even if the money came from the Department of Education and not from the Ministry of Overseas Development. There is also in the British case a certain moral obligation. Britain built no university in Cyprus, for example, before independence on the grounds that the Cypriots could come here. Now even the Cypriots are not exempt from paying full costs.

It is possible that a system could be devised whereby some overseas students could come at the market price, whereas

others could be subsidised. There might also be quotas for particular countries. Not least, there must be a degree of international consultation about future student exchanges. Perhaps more British students could go abroad—to Europe as well as to the Third World—and more Europeans could come here.

At the moment, however, nobody seems very clear what is happening. The Department of Education is insisting that if overseas students are to be subsidised, it is largely a matter for the Foreign Office and the foreign aid programme. The Foreign Office says that it has no money. The University vice-Chancellors argue that the full cost scheme was announced that the numbers of overseas students would fall off so much because of their inability to pay that some university courses would have to be abandoned altogether. Now it looks as if the numbers will hold up, though some institutions are still not introducing full costs and there is no provision either for enforcement or for induction.

It seems to me that the ability to provide higher education to overseas students is a national asset, however intangible. If we do not use it, other countries will take advantage. As an American Ambassador put it, there is a matter of the saxophone being at least as energetic as the transatlantic. Yet we have no policy because the various departments concerned have not got together to work out a long-term approach. That is what is wrong with short-term cuts taken as a line of least resistance during a budgetary crisis.

Malcolm Rutherford

Letters to the Editor

Civil Servants' pay

From Mr. L. Brookes

Sir—Your self contradictory leader of October 28 compares badly with the lucid commentary by Philip Bassett on page 12 of the same issue.

The best way to avoid "inflationary explosions" when some inevitable catching up has to occur after a civil service pay freeze is to see that the Civil Service does not fall behind in the first place. The reports of the pay research unit are an aid—and only an aid—to that end. They provide the facts on which pay increases are negotiated. The staging of increases for the lower and middle grades—with the increases being delayed by up to a year—and the arbitrary cut by half of the increase actually negotiated for senior grades on the last round is clear evidence that PRU reports do not determine pay.

It follows that what the Government has decided to do is suppress the facts. If the facts had turned out badly for civil servants—as they did for senior scientists on the last round despite the Civil Service Commission report suggesting that market forces considerations pointed in the other direction—then we can be quite sure the Government would have welcomed them and given them maximum publicity.

The unpalatable facts are not only about what civil service pay ought to be. As Philip Bassett points out, the reports show that increases in the private sector have not been at the sacrificial levels that you claim in your leader. A further example of the failure of the Government's policy of monetary squeeze.

I have never seen Lord Soames looking happier than he looked on October 27 trying to explain that reports designed to see that civil servants do not get out of line must be suppressed in order to keep them in line.

L. G. Brookes,

16 Ipswich Road,

Bournemouth.

Valuation and valuers

From Mr. G. Schwartz

Sir—Is valuation of any value? One could assume that every one of your readers had some possession "professionally valued," for sale or insurance purposes.

About 20 years ago I had, at the request of my insurance company, a piece of jewellery valued by a Bond Street jeweller named by the company. Over the years I dutifully paid the premium, which in recent years was unilaterally inflation-linked and consequently increased annually. Circumstances now force me to sell this item, and when I offered it to the same jeweller he offered me only two-thirds of the 1960 value he had determined! This implies that I had to pay an inflated premium during all these years and also that the insurance company would have to pay an unrealistic amount in the case of a loss.

The only winner is the valuer, who received his fee which is a percentage of the value he has determined; an incentive to make as high as possible. The only way to rectify this very unsatisfactory situation, is for the valuer to get a fee for work

A classic Catch-22

From Mr. H. Stuart

Sir—Samuel Brittan is perfectly correct in his assertion (Lombard, October 20) that the Government's failure to settle index-linked debt—other than to elderly small savers—weakens the credibility of its anti-inflationary commitment. Yet, as he appears to suspect himself, there is every reason to doubt whether private-sector borrowers will be any more anxious to insure against changes in the inflation rate than is the Government itself.

For if, as Mr. Brittan agrees with the Wilson committee, "the main deterrent to investment is the low real rate of return," and if much of the recent increase in private borrowing is involuntary (ie, to fund operating deficits) it is hard to see why borrowers should be keen—irrespective of the tax considerations—to offer potential lenders a higher (or any) real rate of return if at present they are able to get away from giving them a low (or negative) one.

It is true that index-linked debt would prove less costly in terms of interest charges in the event of a decline in the general level of inflation and interest rates. Yet that possibility is precisely what alarms many debtor organisations, since any lasting curtailment of inflation would tend to slow down or halt the erosion in the real value of their total debt—as distinct from their interest liabilities—and thus undermine their balance-sheets.

Indeed it is apparent that, so far from wishing to stop inflation, the vast majority of governments, industrial companies and financial institutions now have a vested interest in sustaining it, since only the resulting devaluation of their debts can enable them to escape bankruptcy in the short to medium term. In the longer term it may be hoped that a revival of sustained real economic growth will make it possible to restore the real rate of return on capital. Meanwhile inflation represents the only mechanism by which a world-wide financial crash on a scale far exceeding that of 1929-31 can be averted.

On the other hand, if it is true—to quote Samuel Brittan again—"Falling inflation has many foes" (October 9)—"it has been rising world inflation which has brought about recession," then we are in a classic Catch-22 dilemma, since, in effect, the only means of preventing the disease (recession) from becoming fatal is to sustain its underlying cause (inflation) and thereby rule out the possibility of a cure.

H. D. Stuart,

The Grange, Hillside,

Horsham, West Sussex.

Cocoon against retirement

From Mr. R. Mountjoy

Sir—I should like to make two points concerning Eric Short's article "A cocoon against retirement" (October 22).

When considering the "In-laid Revenue's very relaxed interpretation of pensionable salary" it is important to appreciate that it will not normally allow benefits in kind to be taken into account as pensionable salary unless those benefits are assessed to income tax under Schedule E (and even then they will normally be regarded as fluctuating emoluments to be averaged over three years). I do not feel that this was made sufficiently clear in the article.

No mention was made of the effect on the finances of the pension scheme if amounts not previously regarded as pensionable salary are belatedly taken into account. Where such a change is made in the latter part of the employee's working life, it is unlikely that the extra contributions will cover the cost of the additional benefits. This aspect of the problem from the viewpoint of the trustees of the pension scheme was not mentioned and perhaps it is the reason why "others were more wary."

R. W. Mountjoy,

30 Iweria Drive,

Horsham, Sussex.

The banks and money

From Miss C. Macdonald

Sir—In response to L. A. Jackson (October 22), I agree with him that the velocity of circulation of money can be an inflationary factor; I disagree with him when he says that it would be outside the control of a monetary commission. It would be the task of the commission periodically to correct any such inflationary effects by reducing the volume of monetary issue so as to maintain a stable price index.

I have no quarrel with his example of an inter-bank transaction in the sterling market—but inter-bank transfers, whether domestic or international, are totally irrelevant to the question of monetary issue. He has obviously failed to recognise the fact that the sterling itself came into existence as a bank creation.

Quite simply, money cannot originate anywhere outside the banking system and banks never issue new money except as a debt interest (lent to Government, industry or individuals) which is a charge on the productive life of the community.

The false idea is encouraged by banks that borrowing at interest can raise the standard of living. In fact, this will inevitably hasten the approach of a great crisis and financial collapse when huge numbers of wage and salary earners will find themselves unable to meet their obligations, having borrowed much from banks and bank-owned hire purchase firms.

There is no reason why the financial expertise of the banks should not be fully utilised, allowing them to play an active and useful role under a new dispensation. If the function of monetary issue is returned to the State and the bankers are deprived of the profits of issue, and the interest they collect on all the means of exchange in circulation, they can still perform the very necessary functions of private agents of the central bank or office of issue. They can also act as agents to those who have savings they wish to invest, and reinvest as the repayments come in. Banks can still render technical

services such as managing current accounts, which will be true deposits of money earned and possessed, not borrowed, handling cash transfers, cheques, bills of lading and bills of exchange etc., all for a reasonable fee. They will be able to lend such moneys as they accumulate out of profits and interest on them.

In fairness, it must be said that bankers are in a sense prisoners of their own inherited system with its inbuilt inflation factor—that is, that the community can never pay back loans (created) plus interest (not created) without recourse to more borrowing, ad infinitum. If on the other hand all bank loans were to be repaid and no new ones issued, there would remain almost no money in circulation! In short, no lending—no money and all business ceases. Surely it would be a kindness to rescue them from their predicament!

As things stand, however, the supply of borrowers is guaranteed; in addition to inflation, a huge income tax and company tax also assure that the community will be ready to borrow, while an astronomical National Debt (interest £1m per hour of every day in the year) makes certain that the State also will remain a faithful customer of the usurers.

This is the situation which must be remedied by the provision of an adequate State-issued debt-free money supply which will make credit no longer a ruling power of all our business activity.

Clare Macdonald,

70 Courtyard Avenue,

Cranebrook,

Ilford, Essex.

Islington's problems

From Mr. J. Marshall MEP

Sir—As Islington is within my Euro constituency I was naturally interested in your article (October 23). I should like to say that in my view it was lacking in the balance one normally associates with the FT.

Islington's problems are not so much the result of the last housing investment programme's allocation but rather of "vaunting ambition which doth over-reach itself." The Council acquired many properties from the private sector in the hope that it would at some stage modernise them. If ordinary individuals had been allowed to do this work they would have done so more speedily and certainly more cheaply. Your correspondent should have analysed the cost of Islington's policy and compared it with what an individual would spend. He should also have pointed out that there have been substantial delays in improving purchased property—delays which preceded the last housing investment programme allocation.

The irresponsibility of heavy spending has been underlined by a recent official report. This indicated that high rates were deterring industry. Industry and commerce are mobile and are not willing to pay excessive rates. If the Commissioners of the Left gain increasing influence then there is a real risk of many more firms becoming refugees from socialism. No one can relish such a situation. It is up to Islington to review its policies.

John L. Marshall

2, Birkdale Road, W5.



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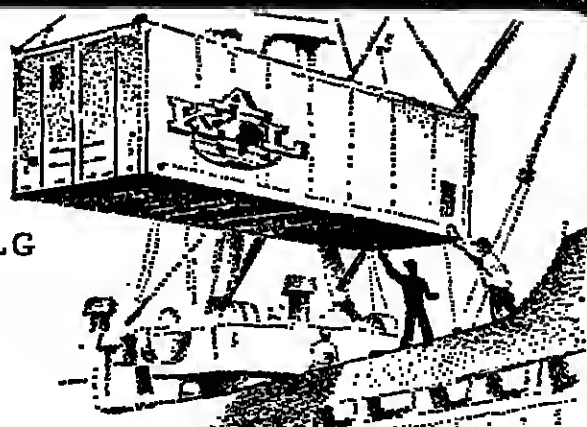
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Coats Patons margins fall

TRADING conditions for the Coats Patons textile and garments group, particularly in the UK, were difficult in the first six months of 1980 and there is currently little sign of improvement, the directors say.

Turnover for the half year to June 30, was marginally higher at £345.5m against £336.0m but pre-tax profits were down from £31.05m to £26.68m. Stated earnings per share are 4.8p against 6.1p.

The interim dividend is being maintained at 1.4p per share—in 1979, a total of 4p was paid from pre-tax profits of £83.53m. Exchange movements reduced trading profits by £7.3m or 22 per cent, but better trading results in North America and some European countries confined the drop to £2.4m or 7 per cent. The movement in the sterling exchange rate will be the main factor determining the results for the current year.

World sales volume was virtually unchanged and price increases more than offset the adverse effect on sales value of the strengthening of sterling. Unfortunately, the price increases were insufficient to cover increased costs and trading margins fell to 8.7 per cent

against 9.7 per cent last year. Because of improved profits in high tax countries and a provision for drawback of stock relief which may not be necessary, the rate of tax has risen from 38 per cent to 43 per cent and consequently profits earned for ordinary holders was £12.3m against £16.3m, a reduction of 24 per cent.

The directors are continuing the policy of rationalisation and disposal of surplus assets and taken together with a more efficient use of working capital, it is expected that the net borrowing position at the year-end will be similar to that at December last year.

| | 1980 | 1979 |
|----------------------------|---------|---------|
| Turnover | 345.512 | 336.000 |
| Depreciation | 7.285 | 5.615 |
| Trading profit | 30.188 | 32.810 |
| Interest and other charges | 6.575 | 4.403 |
| Invest. & other income | 1.873 | 1.825 |
| Profit before tax | 26.678 | 31.045 |
| Tax | 11.178 | 11.772 |
| Net profit | 15.500 | 19.272 |
| Investment grants | 1.010 | 1.175 |
| Minorities | 2.225 | 2.509 |
| Extraordinary losses | 1.095 | 663 |
| Profit for ordinary | 12.330 | 16.251 |
| Ord. dividends | 3.874 | 4.184 |
| Retained | 8.456 | 12.067 |

Lex Back Page



Mr. W. R. Henry, chairman of Coats Patons... the policy of rationalisation and disposal of surplus assets is still continuing as well as the more efficient use of working capital.

J. Hepworth drops £0.88m after sharp interest rise

IN THE second six months ended August 31, 1980, pre-tax profits of J. Hepworth and Son, multiple tailors, fell further behind leaving the full-year figure £0.88m lower at £5.7m, on increased turnover, excluding VAT, of £61.92m against £51.33m. The result was struck after a near £1m jump in

Mid-year taxable profits had dropped from £3.75m to £3.51m and the second-half result reflects a worsening of trading conditions which remain difficult.

On May 3, the group acquired W. and E. Turner whose sales

and profits, of £5.25m and £0.38m respectively, have been consolidated from that date and are included in the year's figures.

Tax charge for the year was up from £1.94m to £2.86m resulting from the absence of stock extraordinary credits of £48,000 (£518,000), attributable profits declined from £5.16m to £2.9m.

Earnings per 10p share, excluding extraordinary items, were down from 11.56p to 6.66p, but the dividend total is held at 3.78p net with a final of 3p. Payments absorb £1.68m (£1.82m).

Extraordinary items include

profits on property sales during the year totalling £1.33m, against 1979 revaluations, less a provision of £1.13m made in respect of factory closure costs. Both amounts are after tax.

Properties have been revalued in accordance with the company's "rolling" revaluation policy and the surplus of £6.8m over the 1979 valuation has been taken directly to reserves.

Goodwill on the acquisition of W. and E. Turner has also been taken directly to reserves.

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Wm. Press falls to £3.2m at mid-year but holds dividend

DESPITE AN 85m rise in turnover to £122m in the first half of 1980, taxable profits of mechanical engineering contractor William Press and Son fell back from £4.73m to £3.2m.

However, the directors say prospects of the group are encouraging as a result of the recently widely-reported promise of increased activity in energy and related industries in which the group is well placed to participate.

They say that orders of £40m announced at the AGM and recent contracts awarded are continuing to keep the group's turnover up to the previous year's levels, although some sections are suffering from a lower workload due to declining industrial activity and the strength of sterling.

In common with many other concerns, the group is discontinuing certain of its activities and reorganising other parts of its business due to the recession. This action is estimated to have cost £2.2m after tax. The sum will be treated as an extra

ordinary item in the annual accounts. At mid-year £281,000 had been incurred which was not a charge in arriving at the above figure, the directors state.

They are maintaining the interim dividend at 0.6p net—last year a total of 1.3p was paid from taxable profits £5.63m (£12.31m). The profit for the six months was struck after including a £387,000 surplus which arose from the cancellation during the period of part of loan stocks.

Tax took £1.34m (£1.18m) leaving stated earnings per 5p share of 1.51p, compared with 2.84p. Attributable profit dropped from £1.4m to £1.82m after minorities of £52,000 (£148,000).

The directors state that the position with regard to the alleged tax offences, claims and ancillary costs remains the same as reported in the accounts for the year ended December 31, 1979.

comment

After William Press' severe second half shortfall in 1979, the market has been under no

illusion as to the difficulties in securing an adequate short term workload at anything resembling acceptable margins. The group's response to the dearth of such orders, which manifested itself so suddenly last year, has been to rationalise its mainstream contracting activities, particularly in the south, at an estimated net below the line cost of £2.2m.

Longer term, the order book is much healthier and the group is expecting a significant rise in energy-related contracts in the second half next year. Losses at Metal and Pipeline and Worley are now said to be under control and the level of first half profits may be repeated where the prospective p/e is 11.9 at 30p, up 1.1p yesterday. The historic p/e is just 5.7 per cent. That may, in part, be defended by strong cash balances and the recovery possibilities implicit in the group's traditionally high exposure to the energy industry.

In the background of course, Newarthill has just added to its trade investment and that may be counted as a speculative prop.

M & G Reinsurance cash boost

Mercantile and General Reinsurance Company, the reinsurance company owned by Prudential Holdings, is to inject a further £5.51m into its U.S. subsidiary, Mercantile and General Reinsurance Company of America, bringing the total

capital to about U.S.\$23.5m.

Mr. Rick Gilmore, president of M and G America, said that the new capital contribution was evidence of the parent company's faith in the long-term prospects of the U.S. brokerage reinsurance market. But it had not been made

in anticipation of any large increases in premium volume over the short term.

M and G had a premium income of £221m in 1979 of which the U.S. contributed 9.4 per cent. Total funds at the end of last year amounted to £431m.

Hopkinsons loss in first six months

LOSSES of £94,000 are reported by Hopkinsons Holdings, valves and boiler mountings maker, for the half year to August 1, 1980, compared with profits of £788,000 in the same period last year. However, the directors are maintaining the interim dividend at 1.5p per share.

They explain that an industrial dispute at Hopkinsons Limited resulted in that company working for only one third of the available time.

Other major operating units performed creditably. Order books remain generally satisfactory but short-term orders are scarce.

Turnover for the first half amounted to £18.96m compared with £21.18m.

No tax is payable this time against £412,000 in the first half last year.

comment

The interim figures from Hopkinsons Holdings are heavily depressed by the loss of 15

weeks' production at Hopkinsons Ltd where there was an industrial dispute. The subsidiary companies, Blakeborough and Bryan Donkin, must have performed very creditably to cancel the resulting shift into a loss of over £1m. Despite a lack of demand for standard valves produced in all three factories on relatively short order-cycles, orders for more sophisticated products are satisfactory. It is for that reason that the interim dividend has been maintained. Since last year's results were held down by the writing of obsolete stock, these figures may be even more gloomy than they look. The trend to deepening current cost losses is still there when the effects of disruption are left out. The share moved down 1p to 55p, on which the market capitalisation is £6.2m, only a quarter of the book assets last February. If the final dividend is also held, the shares yield nearly 15 per cent.

Boosey and Hawkes maintains interim despite profits dive

TAXABLE PROFITS of Boosey and Hawkes tumbled from £391,000 to £80,000 for the first half of 1980, but the group, whose interests are in music publishing, musical instrument making and general engineering, is holding its interim dividend at 1.5p net per 25p share.

Trading profits fell from £451,000 to £312,000, but the directors say these are improving in the second six months and, at present, seem likely to continue to do so next year.

In the last full year, profits, before tax, dropped to £513,000 (£1.16m), from which dividends totalling 5.667p were paid.

Tax for the first half took £35,000 (£120,000) and after extraordinary debits up from £78,000 to £190,000 and minorities, there was a turnaround from £5p, on which the market capitalisation is £6.2m, only a quarter of the book assets last February. If the final dividend is also held, the shares yield nearly 15 per cent.

£115,000 this time. Difficult trading, especially in musical instruments, and costs incurred in the course of upgrading manufacturing operations and terminating certain others, contributed to the loss, the directors state.

Other factors were a poor performance in the U.S. and high interest charges.

Turnover for the period increased by over £1m to £3.15m. The pre-tax result was struck after a sharp rise in interest payable, less interest and dividends receivable, to £282,000 (£50,000).

In May, the directors reported that the group's strengths had continued unimpaired in the first quarter of the year.

comment

The lack of segmented information makes Boosey and Hawkes' interim statement rather opaque. The two things emerging most clearly are that it has been a very poor first half, and that

new chief executive Michael Boxford is chopping away at dead wood. The losses of the now-closed organ business are a mystery. Pop music, when last sighted in 1978, was losing £100,000 annually. It would be most particularly useful to know how much profits the copyrights valued in the last balance sheet at £2 produce compared to the other £3.2m of capital employed. The bottom of Boosey's cycle has been predicted before. This time round, optimism may be stimulated by the board's decision to maintain the dividend and the cautiously bullish statement. The shares nonetheless slipped 3p to close at 120p, yielding almost 7 per cent on the last 12 months' payments. The price probably owes more to asset backing than trading performance. With properties at a 1977 valuation, net assets per share are around £3. A revaluation is scheduled for December this year. And then, of course, there are those copyrights.

A year of progress for Glaxo

Salient points from the Annual Statement by Sir Austin Bide, Chairman and Chief Executive.

Group sales for the year to 30th June, 1980, excluding wholesaling, were £434m compared with £397m. Sales in the UK at £106.6m were 17.8% higher and sales overseas at £327.5m were £21m higher.

The Group trading profit was £65.7m and I estimate that foreign exchange movements reduced this figure by £11m and the sterling value of overseas sales by £20m.

The turnover of Vestric Limited, our UK wholesaling subsidiary, was £207.7m, an increase of 29% over last year.

The proposed final ordinary dividend of 6p per share makes a total dividend for the year of 9.5p compared with 8p for 1978/79.

Manufacturing in the UK and Overseas Expanding and developing our manufacturing facilities was widespread—and represented further significant investment for the future.

Trading Worldwide Exports have gone ahead and sales volume has grown in almost all markets. Both our latest injectable cephalosporin antibiotic and our new anti-hypertensive played an increasing part in this growth which we expect to continue.

We continue to place great emphasis on the expansion of our business in the world's two largest markets for pharmaceuticals—the USA and Japan.

Research and Development The present annual rate of spending is about £38m. A substantial number of new entities with interesting properties has been identified and a selection taken into the development programme.

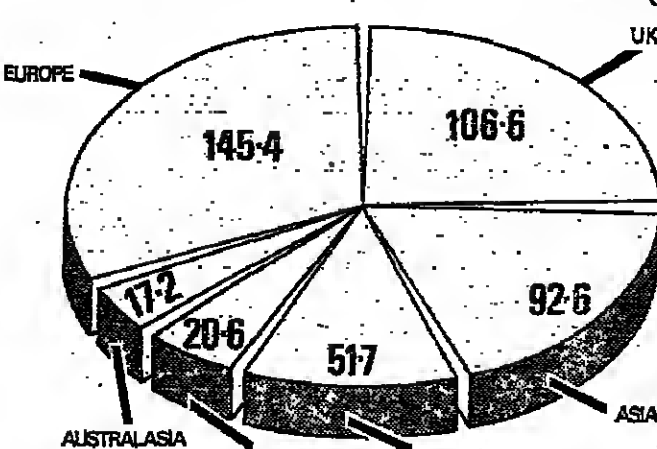
Ranitidine, our new anti-ulcer compound, continues to perform well in extensive clinical trials.

Staff and Productivity That this Group has been able to record a substantial profit for the year under review is a reflection of the endeavours of its nearly 30,000 staff at all levels but ensuring progress becomes ever more difficult.

One element of the business about which we can and must do more is to improve productivity in all areas. We are already making progress but further action is vital and will be taken during the ensuing months.

The Future I am glad of this opportunity to express again your Board's confidence that the seeds sown by continuing to invest in the business as heavily as we sensibly can will yield a good harvest.

SALES OF GLAXO PRODUCTS WORLDWIDE (£m's)



For the full Chairman's Statement and Annual Report apply to: The Secretary (AR), Glaxo Holdings Ltd., Clarges House, 6-12 Clarges Street, London W1Y 8DL.

Glaxo A world leader in pharmaceuticals

Guinness Peat rules on nominees

AN extraordinary general meeting of the Guinness Peat group yesterday approved a motion giving the board absolute discretion to "disfranchise" shareholders who fail to supply information required of them under Section 27 of the Companies Act 1976.

The section provides for companies to discover the beneficiaries of shareholdings built up under nominee names. The extraordinary meeting also approved a new share option scheme for group employees, and a raising of the ceiling on total directors' remuneration from £15,080 to £50,000.

Berec chief reaffirms forecast

MR. COLIN STAPLETON, chairman of Berec, the Ever Ready battery company, told a group of institutions on Tuesday that full year profits were expected to be "broadly similar to those for last year. He made the same forecast when the interim figures were published last week.

He noted, however, that while current cost accounting was still in its infancy "CCA" loss would have to be taken into account for future dividend policy.

Following the meeting, Berec's share price began to move down. At one stage yesterday it had dropped 8p to 82p but it closed only 4p down at 86p.

W. Bromwich spring interim omitted

A fall in pre-tax profits from £275,000 to £220,000 is reported by West Bromwich Spring Co. for the half year to June 30, 1980 on turnover of £2.18m against £2.07m.

No interim dividend is being declared—last year, an interim of 0.29p was followed by a 1.01p final when pre-tax profits were £481,000.

Tax charge in the first half is £114,000 (£143,000).

| SPAIN | Price | + or - |
|-----------------|-------|--------|
| October 30 | | |
| Banco Bilbao | 262 | |
| Banco Central | 281 | |
| Banco Exterior | 221 | |
| Banco Hispania | 241 | |
| Banco Ind. Cat. | 125 | |
| Banco Madrid | 141 | |
| Banco Santander | 282 | |
| Banco Urquijo | 129 | +3 |
| Banco Vizcaya | 280 | -1 |
| Banco Zaragoza | 220 | |
| Oradeanos | 109 | |
| Espartero Zinc | 62 | |
| Fecsa | 63.7 | -0.3 |
| Gel. Preciados | 31.2 | -0.8 |
| Hidrofla | 68 | -0.2 |
| Industria | 65 | |
| Petróleo | 114 | -2 |
| Petróleo | 85 | |
| Seguros | 102 | |
| Telefonica | 61.5 | |
| Union Elect. | 68.7 | -0.3 |

DIVIDENDS ANNOUNCED

| | Current payment | Date of payment | Corr. dividend | Total dividend | Total last year |
|-------------------------|-----------------|-----------------|----------------|----------------|-----------------|
| Aberdeen Trust | 3.7 | Dec. 20 | 3.1 | 5.7 | 4.45 |
| Amour Trust | 0.13 | Dec. 20 | 0.1 | 0.13 | 0.1 |
| Bancor Stores | 0.65 | Dec. 20 | 0.57 | 1.23 | 1.33 |
| Boosey & Hawkes | 1.9 | Dec. 12 | 1.9 | 5.63 | 5.63 |
| Border Breweries | 1.3 | Jan. 5 | 1.2 | 4.3 | 4.3 |
| Can. & Foreign Inv. | 1.95 | Dec. 8 | 1.75 | 5.1 | 5.1 |
| Coats Patons | 1.4 | Dec. 31 | 1.4 | 4 | 4 |
| J. Hepworth | 3 | — | 3 | 3.79 | 3.79 |
| Hopkinsons | 1.5 | Dec. 12 | 1.5 | 5.65 | 5.65 |
| Lumma (Ceylon) | 6 | Dec. 5 | 5 | 17 | 17 |
| William Press | 0.6 | Dec. 29 | 0.6 | 1.2 | 1.2 |
| S. Simpson | 2.95 | — | 2.85 | 4.26 | 4.26 |
| Weeks Associates | 1.1 | — | 0.7 | 1.61 | 1.61 |
| W. Bromwich Spring Int. | nil | — | 0.29 | 1.3 | 1.3 |

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues.

Profit before tax increased to £1,023,359 from £857,272.

Earnings per share before tax increased to 9.2p from 7.8p.

Dividend increased to 20.0%.

Cover for dividend 3.2 times.

Net assets increased to 41.1p from 36.5p per share.

Short term deposits increased to £1.8m from £1m.

W. Bromwich Spring Int.

W. Bromwich Spring Int.

W. Bromwich Spring Int.

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W. Bromwich Spring Int.

Companies and Markets

Glaxo aiming to expand important U.S. market

SIR AUSTIN RIDE, chairman of Glaxo Holdings, tells shareholders that the group's U.S. business—Glaxo Inc.—has been building its organisation to handle group products in this new and very important market. Steps have been taken, particularly in the medical development and marketing division to move forward on the registration of Glaxo products and their introduction to the market as fast as possible.

At present, the group is spending more than it can earn and this stage will last for a number of years or more. But the expense and effort will undoubtedly prove to be a sound investment and in due course will change the dimensions of the group, Sir Austin says.

On manufacture in the UK and overseas, the chairman says it has been possible to hold the increase in UK manufacturing costs below that of UK inflation. This is due to improved productivity and also the technical

benefits of the continuing investment programme.

On the energy front, the chairman says Glaxo Operations UK Limited has been among the first to treat energy conservation as a strategic issue. The company's energy conservation programme is designed to make an initial 5 per cent saving in the energy bill throughout all its sites. Further savings will be made as the programme evolves.

At Monks, a major group fine chemicals centre, a new £1m laboratory for process investigation and development work has been opened and a £2m facility to manufacture development quantities of runtimed is shortly to be commissioned.

Overseas an important new development is the plan to construct a factory in Singapore for the production of basic drugs. The initial work is now complete and construction has started on a recently acquired site.

In Europe the new facilities at Verona for manufacturing and packing sterile antibiotic formulations have been completed satisfactorily. The Spanish factory at Aranda de Duero is now on-stream as planned.

As known group pre-tax profits for the year ended June 30, 1980, amounted to £86.09m against £73.27m on turnover of £618.14m (£559.06m). CCA profits are reduced to £22.04m after adjustments for depreciation, £14.7m, cost of sales, £21.35m and gearing, £1.9m.

The accounts also show capital commitments contracted for but not provided of £19.13m (£14.5m) and authorised but not contracted of £40.28m (£31.98m). Shareholders' funds at the year-end were £333.24m (£315.56m) with loans and overdrafts at £10.08m (£4.42m), loan capital £44.04m (£44.3m), short-term deposits, £15.7m (£10.26m) and cash £15.34m (£15.63m).

Lex Back Page

Jenners incurs £30,000 loss in first six months

DESPITE a marginal increase in turnover from £3.44m to £3.98m, excluding VAT, department store operator Jenners, Princes Street, Edinburgh, incurred a pre-tax loss of £30,000 in the half year to July 31, 1980, compared with a profit of £100,000.

However, the directors state that while it is not easy to predict the outcome for the year as a whole, provided the increase in sales can be maintained they believe the final results may not be too disappointing in all the circumstances.

Commenting on the first-half results they say trading profits were seriously affected by the general downturn in consumer demand, tighter margins and substantially increased costs—including in particular, greatly increased local government rates.

Tax for the six months took £38,000 (£31,000) and there were extraordinary credits of £23,000 (£200,000). Attributable profit showed a drop from £27,000 in £19,000.

The interim dividend of this limited company is being maintained at 5p net.

Loss for Corning at halftime

HIGH fuel costs, strong overseas competition and the strength of sterling in certain export markets resulted in glass manufacturer Corning Glass Works USA, made a pre-tax loss in the 26 weeks to June 15, 1980, of \$476,000 despite sales advancing from \$31.72m to \$33.19m.

In the comparable period last year the company, a subsidiary of Corning Glass Works USA, made taxable profits of \$382,000 although by the year-end losses of \$1.5m (\$3.9m profits) were reported.

Trading profit for the 26 weeks showed a rise to \$1.52m (\$1.52m) but losses on exchange and translation amounted to \$458,000 (\$45,000) and interest payable rose from \$976,000 to \$1.51m.

Aberdeen Trust shows ahead at £3.3m

Pre-tax revenue of Aberdeen Trust increased from £2.53m to £3.3m in the year to September 30, 1980. At the halfway stage, pre-tax revenue had advanced from £1.08m to £1.49m.

The full year's tax charge was £1.1m against £852,000. Net asset value per 25p share is 154.5p compared with 124p. The final dividend is raised from 3.1p to 3.7p for a total of 5.7p (4.45p).

Solid progress at midway for Jackson Group

A substantial jump from £173,000 to £365,000 in pre-tax profits is expected by Jackson Group, the East Anglian construction and industrial services group, for the six months to June 30, 1980.

Commenting on these figures, Mr. F. Jackson, the chairman, says they are the best in the group's history, but he adds a caution that, to some extent, the contrast with the same period in 1979 is due to markedly more favourable weather conditions this year.

The progress is real, he adds, and the results for the full year are expected to prove satisfactory.

Group turnover was higher at £9.34m compared with £8.12m, and £14.6m for the last full year. There is again no charge for the first half, but a charge is anticipated for the current year because of investment in equipment and an increase in stocks and work in progress.

The interim dividend is raised to 4.5p from 2.1p—last year's total was 4.2p from pre-tax profits of £574,000. Stated earnings per 10p share are 14.5p against 6.7p.

Dividends absorb £18,000 (£2,000) and after minority of £4,000 (£3,000) retained profits amount to £248,000 compared with £158,000.

Jackson Group shares are traded on the market made by M. J. H. Nightingale and Co.

Canadian and Foreign rises at mid-year

Turnover of Canadian and Foreign Investment Trust rose in the half year to September 30, 1980, from £285,000 to £372,000 and after tax of £143,000, against £107,000, earnings per 25p share are shown as 3.55p, compared with 2.74p.

The interim dividend is increased to 1.95p net (1.75p). Last year a total of 5.1p was paid from pre-tax profits of £256,000. Net asset value per share is given as 181.7p (163.5p).

A. Walker sees little change

While it would be very unwise to make a positive forecast for the current year, trading to date at Alfred Walker and Son would indicate results not dissimilar from those of 1979-80, Mr. A. L. Walker, the chairman, told the annual meeting.

For the year ended April 30, 1980, pre-tax profits of this building contractor and property developer climbed from £83,000 to £123,000, on lower turnover of £2.62m (£2.7m).

UK COMPANY NEWS

Weeks Associates in the red and interim omitted

WITH ALL its UK companies having been affected by the steepening decline in demand, Weeks Associates, maker of trailers, industrial and agricultural equipment, incurred a pre-tax loss of £15,948 for the 26 weeks to August 10, 1980, compared with profits of £29,623 last time. No interim dividend is being paid—last year an interim of 0.7p net was followed by a final of 0.908p per 10p share, from £1,554 profits.

Turnover for the first 26 weeks rose slightly from £5.85m to £6.12m, although sales in the manufacturing subsidiaries were over 20 per cent down on the same period last year. The loss was struck after nearly doubled interest charges of £32,104 (£16,578).

The directors say that although timely and vigorous action was taken to cut back operations to meet changing conditions, the results have in been against that background.

There are few encouraging signs in the UK economy and, without a substantial reduction in interest rates, no improvement can be expected, they add. In the face of this bleak outlook, the company's priority will be to conserve cash resources and intensify its selling operations at home and overseas.

Again no tax is payable for the interim period and after an extraordinary charge of £30,098 this time, relating to the starting up costs for Hutton Singapore Pte., there was an attributable deficit of £145,946 (£29,623 profit).

Exports of agricultural equipment were increased by 6 per cent, a direct consequence of the efforts made to develop overseas sales.

RAP benefited from its new business and was able to improve turnover over the previous year.

At Huttons, lack of sales, combined with the need to prolong costly sub-contract arrangements because of delays in achieving efficient levels of agricultural axle production, resulted in losses of £100,357 of which £35,000 are non-recurring. Reduction in overhead expenses continued and losses have now been contained.

Results of Hutton Singapore are included for the first time; its trading losses amounted to £38,112. Since July, production and sales have been steadily increasing and second-half results will reflect the higher level of activity.

● Comment

Weeks Associates is in poor

shape. The company appears to have picked an unfortunate time to reorganise its business and diversify from its traditional agricultural lines. Borrowings are up to £3.5m from £2.9m at year end and this is causing prohibitive interest charges. Capital gearing has risen to nearly 130 per cent and Weeks is placing top priority on conserving cash.

But this goal is being counteracted by difficult trading. The two Hutton subsidiaries (UK and Singapore) accounted for the bulk of the first-half loss with a combined deficit of £166,000. They will probably continue in loss in the second half and the current year outlook suggests a total loss of at least £150,000. There is really no recovery in sight until the latter part of next year when the Singapore operation gets going and RAP helps out more.

Meanwhile, the recent profit record is dismal, the balance sheet looks weak and shareholders should not hold their breath for much of a dividend this year. With a net asset value per share of around 25p against yesterday's flattened share price of 5p, Weeks could be in a vulnerable spot.

£0.5m downturn at S. Simpson but final payment maintained

IN THE 53 weeks to July 31, 1980, pre-tax profits of S. Simpson, the London tailor and clothier, fell from £1.1m to £1.04m. Group turnover rose from £22.05m to £22.35m.

After dropping from £922,000 to £506,000 pre-tax in the first half, there was a slight recovery in the second, but at £535,000 the figure was below the £618,000 of the corresponding period last year.

In his interim statement, the chairman said strong sterling continued to influence exports, competitive imports and profit margins, which were also narrowed by inflationary general costs and higher interest rates. A major reduction in overseas visitors and an increase in VAT also depressed retail trade.

The final dividend is unchanged at 2.55p for a same-again total of 4.2625p. After tax down from £723,000 to £643,000, stated earnings per 25p share are lower at 10.1p (11.27p).

Extraordinary items of £87,000 (nil) represent re-organisation and associated redundancy costs.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interim or final and the sub-divisions shown below are used mainly as last year's timetable.

| TODAY | |
|--|---------|
| Interim—Bent Walker, R. H. Cole, Davies and Newman, English and International Trust, Growell, S. and L. Nathan, Platinum, Vornan Brothers. | |
| Final—Audio Fidelity, Burnside Investments, Norman Smith, Unilever, Rand Mines Properties, Wood Hall Trust. | |
| FUTURE DATES | |
| Interim— | |
| Overseas | Nov. 24 |
| Folke (John) Hefin | Nov. 19 |
| French Kier | Nov. 27 |
| Headline Sales and Coatings | Nov. 5 |
| Milena Leisure | Nov. 5 |
| Polymer International | Nov. 5 |
| Sandbury (J.) | |
| Final— | |
| Antish Sugar | Nov. 13 |
| Concentric | Nov. 24 |
| Mobide Investments | Nov. 3 |
| Scottish National Trust | Nov. 11 |

Johannesburg Consolidated Investment Company, Limited

(Incorporated in the Republic of South Africa)

Extracts from the Chairman's Review by Sir Albert Robinson.

The Annual General Meeting of the Company will be held in Johannesburg on 10 November 1980 at 12 noon.

This is my last Chairman's review of your Company's affairs as I shall be succeeded on 1 January 1981 by the present Deputy Chairman, Mr. G. H. Waddell. I have gladly accepted an invitation from my colleagues on the Board to continue serving as a Director.

I first became associated with Johannesburg Consolidated Investment Company, Limited in 1965, when I was appointed an Alternate Director. In 1971 I became Chairman. For the past fifteen years, therefore, I have been involved in the affairs of the Company. During this time we have expanded our activities in platinum, gold, nickel, antimony and other minerals and in the industrial field. All these activities are contributing to the Company's present strength and prosperity and I am satisfied that they have the potential to do so in the future. Furthermore, I believe that under Mr. Waddell's energetic leadership we can look forward to the development of new business as well as to the further expansion of our existing enterprises. But, Johannesburg Consolidated Investment Company, Limited, will not be realised unless South Africa enjoys political, social and industrial stability. It is on this need for stability that I wish to comment.

The Prime Minister has unleashed the forces of change in South Africa after some thirty years of the restrictive policies of his predecessors. Over these years numerous devices were employed to entrench apartheid or, as it later came to be known, separate development. Coloured and black representation in the South African Parliament was removed. Separate coloured and Indian colleges were created. The Group Areas Act was introduced to enforce racial segregation and control of land use in the industrial field. All these measures were established in the hope that they would arrest and ultimately reverse the influx of blacks to the metropolitan areas. This plethora of divisive legislation inevitably necessitated the enactment of increasingly elaborate and powerful laws for the control of dissent. However necessary these laws may be for the protection of the legitimate security interests of the State, it cannot be denied that they have encroached extensively on the freedoms that are fundamental to any democratic society.

Mr. Botha assumed office at a time when the failure of the orthodox doctrine of separate development was becoming increasingly evident. Distrustful of the direction in which traditional policies were leading the country, the Prime Minister lost little time in setting a new and more hopeful course. Last year he announced a programme of reform directed towards the establishment of a constellation of states which he claims will be founded upon racial equality and economic growth. To this end he has initiated a process of consultation with black leaders and with representatives of the business community. He has abandoned the Westminster system of parliamentary government by abolishing the Senate and he has also abolished the Coloured Persons Representative Council. In their place he has announced plans for a new constitutional and political dispensation.

As one who attended the now famous conference between business leaders and the Prime Minister and his Cabinet colleagues last November, I feel free to comment on the trend of events since that meeting. There are those who suggest that reactionary elements in the Government will frustrate the Prime Minister's efforts to create a generally acceptable basis for a new South African society. Others, however, hope and believe that, despite its slow progress to date, his policy reflects a new spirit, namely one that recognises and accepts that a negotiated sharing of power among the races is the only alternative to direct racial conflict in South Africa.

It is difficult to assess the present balance of power between the reactionaries and the reformists. I am, however, certain of one thing: that Mr. Botha's policies have unleashed forces of change and nothing can now preserve the old order or prevent the ultimate emergence of a new, non-racial South Africa. The Government's further plans are awaited with the keenest interest by moderates of all races within the Republic and by the major Western powers, whose trade and investments are essential to the country's wellbeing. Their earnest hope is that Mr. Botha will be able to steer a course away from conflict and towards an accommodation of the reasonable aspirations of all the peoples of South Africa.

Thus now to the question of industrial relations. In this sphere the Botha Government has advanced the process of change by the appointment of various commissions to investigate and report on industrial relations and the relevant labour laws in South Africa. For many years a number of leading white trade unions have dominated the industrial scene whereas blacks, by and large, have had their terms of employment decided by employers with the Government holding a watching brief. Today the majority of Government-approved and registered unions are non-white or racially mixed, which is an interesting and satisfactory development. Obviously industrial peace should be the prime objective of employers, the Government and employees. That goal will not be achieved if employers resort to lockouts, instant dismissals and requests for police action as a response to workers who seek to negotiate legitimate changes in their conditions of employment. Such measures can only lead to civil disorder or industrial action and consumer resistance. I believe that certain steps should be taken to resolve this complex problem, namely how to achieve a responsible trade union movement which is fully recognised and whose members do not feel impelled to resort to unlawful action to obtain redress of grievances. Firstly, all unions should aim at being democratically representative of all employees. Secondly, the number of unions competing with each other should be limited. This is essential if only to avoid demagogic disputes. Unions should be encouraged to engage in the different economic disciplines, or at least to bargain together with management as already the case in the steel and engineering industry. Thirdly, it must be accepted that workers of all races have industrial rights, just as employers have industrial rights. One segment of the industrial community should not impose its will upon the other. Management and the unions must negotiate under the umbrella of benevolent industrial legislation to further their mutual interests. These suggestions amount to the practice of industrial democracy, a principle which should be accepted in South Africa if strife and disorder in the work-place are to be avoided. After all, employers and employees should have a common interest, which is in furthering their own prosperity and thereby promoting the prosperity of the nation.

I have commented on some of the major political and industrial problems that confront the country. I am one of those who believe that to achieve stability in South Africa there should be one nation, however diverse its many parts. If this belief can win sufficient support—and I think it can—then we may hope for a constitution that meets the reasonable aspirations of the various communities. This achievement would provide the framework for a peace and prosperous future and would win for South Africa considerable support and goodwill in the international community.

Results for the Year

The Johannesburg Consolidated Investment Company made substantial progress during the past financial year and profits were at a record level.

Group profits before the deduction of tax, preference dividends and minority interests were R96.7m, compared with R70.9m for the previous year. Profits on the realisation of investments less provisions against possible future losses on investments amounted to R30.8m. After the deduction of tax, preference dividends, minority interests and the net surplus on realisation of investments, which is customarily regarded as non-distributable, the net profits available for distribution to ordinary shareholders for the 1980 financial year were R72.2m (2015 cents per share), an increase of 67% over the comparable figure of R43.8m (600 cents per share) for the previous year. These results are mainly a reflection of a 45% increase in Group investment income from R36.1m to R56.6m.

The consolidated income statement does not give a complete picture of the Group's earnings as it necessarily excludes the Group share of the retained profits of non-subsidiary companies in which a substantial interest is held. When these underlying earnings are taken into account, the equity earnings of the Johannesburg Consolidated Investment Company for the year ended April 30, 1980, were R189.5m (1890 cents per share), compared with R154.1m (1541 cents per share) for the 1979 financial year.

Cash inflow for the year totalled R156.4m. Loan repayments absorbed R51.2m; R289.6m was distributed to preference and ordinary shareholders; investments accounted for R123.0m. The full Review and Report and Accounts are obtainable from the London Secretaries, Barant Brothers Limited, 99 Bishopsgate, London EC2M 4BE.

LONDON TRADED OPTIONS

| Option | Ex. Price | Closing Price | Vol. | Closing Offer | Vol. | Equity Close |
|------------|-----------|---------------|------|---------------|--------|--------------|
| BP | 290 | 114 | — | 124 | 18 | 484p |
| SP | 420 | 85 | 32 | 108 | — | — |
| BP | 500 | 86 | 57 | 70 | — | — |
| Com. Union | 140 | 24 | 1 | 45 | — | 165p |
| Com. Union | 150 | 19 | 8 | 23 | — | — |
| Com. Union | 180 | 9 | 10 | 33 | — | — |
| Com. Gold | 500 | 187 | 5 | 203 | — | 661p |
| Com. Gold | 550 | 145 | 8 | 168 | — | — |
| Com. Gold | 600 | 110 | 24 | 130 | 156 | — |
| Com. Gold | 650 | 78 | 98 | 100 | 31 | 117 |
| Com. Gold | 700 | 48 | 111 | 70 | 10 | — |
| Courtauld | 20 | 10 1/2 | — | 12 | — | 66p |
| Courtauld | 30 | 11 1/2 | 72 | 15 | 12 1/2 | — |
| Courtauld | 40 | 6 1/2 | — | 15 | 40 | 12 1/2 |
| GECC | 550 | 55 | 1 | 80 | — | 970p |
| GECC | 600 | 55 | — | 100 | — | — |
| Grand Met. | 120 | 54 | — | — | — | 165p |
| Grand Met. | 120 | 44 | 1 | — | — | — |
| Grand Met. | 150 | 17 | 80 | 27 | 3 | 21 1/2 |
| Grand Met. | 180 | 6 | — | 14 1/2 | 8 | 12 1/2 |
| ICI | 480 | 17 | 10 | 36 | — | 335p |
| Land Secs. | 420 | 17 | 10 | 36 | — | 392p |
| Marks & S. | 100 | 80 1/2 | 4 | 87 | — | 118p |
| Marks & S. | 120 | 15 1/2 | 85 | 20 | — | — |
| Marks & S. | 150 | 12 1/2 | 2 | 17 | — | 17 1/2 |
| Shell | 460 | 50 | 21 | 64 | — | 474p |
| Shell | 500 | 28 | 512 | 44 | 58 | — |
| Totals | | | 248 | 146 | 21 | — |

| Option | Ex. Price | Closing Price | Vol. | Closing Offer | Vol. | Equity Close |
|-------------|-----------|---------------|------|---------------|------|--------------|
| Imperial GP | 70 | 7 1/2 | 27 | 18 1/2 | 18 | 78p |
| Imperial GP | 80 | 5 1/2 | 25 | 9 1/2 | 9 | 115p |
| Lorho | 90 | 53 | 10 | 59 | — | — |
| Lorho | 90 | 33 | 10 | 39 | — | — |
| Lorho | 90 | 23 | — | 20 | 40 | — |
| Lorho | 150 | 15 | — | 20 | 20 | — |
| Lorho | 104 | 13 | 71 | 21 | 18 | 21 |
| Lorho | 114 | 5 | 55 | 12 1/2 | 15 | 17 1/2 |
| Lorho | 120 | 2 1/2 | 2 | 10 | 68 | 17 1/2 |
| P. & O. | 120 | 5 | — | 10 1/2 | 1 | 21 1/2 |
| Racal Elec. | 260 | 11 | — | 109 | — | 829p |
| Racal Elec. | 260 | 94 | 1 | 91 | — | — |
| Racal Elec. | 280 | 74 | 1 | 71 | — | 105 |
| Racal Elec. | 300 | 54 | 1 | 51 | — | 69 |
| Racal Elec. | 330 | 25 | 23 | 51 | — | — |
| Racal Elec. | 360 | 9 | 80 | 34 | 18 | 110 |
| RTZ | 460 | 25 | 2 | 50 | 85 | 82 |
| RTZ | 460 | 25 | 2 | 50 | 85 | 82 |
| Totals | | | 248 | 172 | 71 | — |

COMPAGNIE BANCAIRE

Report by the Board of Management
First half of 1980

THE GROUP'S OPERATIONS

The Group's new business in the first half of 1980 amounted to 12,900 million francs. This figure represents, in the main, loans by credit companies in the Group and investments by leasing companies.

The Group's activities have been strictly limited by credit controls which have caused a slowdown in the progressive growth rate achieved in previous periods.

On 30th June 1980 the total of loans outstanding amounted to 62,900 million francs.

| (in thousand million francs) | 1st half 1978 | 2nd half 1978 | 1st half 1979 | 2nd half 1979 | 1st half 1980 |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------|
| Credit granted and new business | 10.0 | 10.9 | 12.6 | 13.7 | 12.9 |
| Loans outstanding (end of period) | 49.2 | 51.7 | 55.1 | 59.1 | 62.9 |

In April, the Compagnie Bancaire issued 800 million francs worth of bonds, increasing the total amount of the Group's debt to 5,712 million francs.

CONSOLIDATED PROFITS

The sharp rise in interest rates in 1979 reduced the profits of the Group's credit companies during the first half of 1980 but the profit margin on their financial operations has since been restored.

| (in millions of francs) | 1978 | 1979 | 1st half 1980 |
|---|-------|-------|---------------|
| Group pre-tax profits | 1,077 | 1,137 | 460 |
| Minority | —532 | —535 | —216 |
| Outside shareholders' interest | —249 | —275 | —125 |
| Net consolidated profits attributable to the Compagnie Bancaire | 296 | 327 | 119 |

Note on accounts

The pre-tax profits of the Group's Companies are computed after adjustments to depreciation accounts and to provisions for future charges or recognised risks. They also include, where appropriate, appropriations to provisions of the nature of free reserves. They do not include non-trading capital gains.

An International Group
in many fields of textiles

COATS PATONS

LIMITED

Interim Announcement

Unaudited results for January/June 1980 and the comparative figures for 1979 are as follows:

| | Jan./June 1980 | Jan./June 1979 | Year 1979 |
|--|-------------------|-------------------|--------------|
| Turnover | 345,312 | 336,049 | 683,649 |
| Trading profit before charging depreciation | 37,453 | 39,226 | 79,521 |
| Less: Depreciation | 7,265 | 6,615 | 13,445 |
| Trading Profit | 30,188 | 32,610 | 66,076 |
| Interest and other charges | 6,575 | 4,403 | 11,306 |
| Profits of associated companies | 23,613 | 28,207 | 54,770 |
| Investment and other income | 1,392 | 1,012 | 2,739 |
| Profit before taxation | 26,678 | 31,045 | 63,524 |
| Taxation | 11,178 | 11,773 | 25,250 |
| Investment grants | 15,500 | 19,273 | 38,384 |
| Profit after taxation | 15,564 | 19,447 | 38,533 |
| Interest of minority shareholders | 2,225 | 2,509 | 4,968 |
| Profit before extraordinary items | 13,439 | 18,938 | 33,675 |
| Extraordinary losses | 1,085 | 683 | 1,871 |
| Preference dividends | 12,354 | 16,275 | 31,704 |
| Profit earned for ordinary shareholders | 2,489 | 2,489 | 2,489 |
| Ordinary dividends | 3,874 | 4,164 | 11,358 |
| Profit retained | 8,456 | 12,087 | 20,298 |
| Earnings per ordinary share of 25p | 4.8p | 6.1p | 12.2p |
| U.S. Dollar rates of exchange used—Dollars per £ | \$2.40 | \$2.07 | \$2.22 |

Sales at £346 million (1979 £336 million) were marginally higher than in the same period last year. World sales volume was virtually unchanged and price increases more than offset the adverse effect on sales value of the strengthening of Sterling compared with January/June 1979.

Exchange movements reduced trading profits by £7.3 million, or 23%, but better trading results in North America and certain European countries, derived entirely from improved efficiency, confined the drop to £2.4 million, or 7%. Unfortunately the level of price increases mentioned above was insufficient to cover increased costs and trading margins fell to 8.7% (1979 9.7%).

The increase of £2.2 million in the interest charge was due to higher interest rates and increased borrowings overseas.

Owing to improved profits in high tax countries and a provision for clawback of stock relief which may not be necessary, the rate of tax has risen from 38% to 42%. In consequence, profit earned for ordinary shareholders was £12.3 million (1979 £16.3 million), a reduction of 24%.

Profit before taxation of £26.7 million reduces on an SSAP 16 basis to £10.7 million (1979 £31 million to £16.3 million).

Trading conditions, particularly in the United Kingdom, were difficult throughout the first half of the year and there is currently little sign of improvement. We are continuing our policy of rationalisation and disposal of surplus assets. Taken together with a more efficient use of working capital, it is expected that the net borrowing position at the year-end will be similar to that at December 1979. It is anticipated that the year on year increase in interest charges will not be greater than the increase shown for the first six months. The movement of the Sterling exchange rate will, however, be the main factor determining the results for the current year.

An unchanged interim dividend of 1.4p per share will be paid on 31st December 1980 to ordinary shareholders on the register on 14th November 1980.

Companies and Markets

MINING NEWS

'Johnnies' looks to a new era of expansion

BY KENNETH MARSTON, MINING EDITOR

A WIND of change in South Africa and a new era of expansion for Johannesburg Consolidated Investment ("Johnnies") provide the theme of Sir Albert Robinson's last annual statement as chairman of the South African mining and industrial group.

Sir Albert, who has spent 15 years with the company, will remain on the board and he will be succeeded as chairman from next January by Mr. Gordon Waddell.

Sir Albert says that South Africa's potential and that of "Johnnies" will not be realised until the country enjoys political, social and industrial stability. He adds that the policies of the South African Prime Minister, Mr. P. W. Botha, "impose unleashed forces of change and nothing can now prevent the old order or prevent the emergence of a new, non-racial South Africa."

Of "Johnnies' future, he points to the group's improved finances and anticipates "the development of new business as well as to the further expansion of our existing enterprises." He confirms that the group has a potential major new plant—nickel-copper open-pit mine in prospect, but any go-ahead decision must await a close assessment of the future demand for platinum.

Looking to "Johnnies' new gold mining possibilities, Sir Albert says that a preliminary viability study has indicated a potential gold mine to the north-east of Randfontein Estates' Cooke section. "Johnnies" and Randfontein are the main interested parties in the area which is now being subjected to a detailed investigation. Technical studies are also being carried out on deep gold



Sir Albert Robinson... "Mr. Botha's policies have unleashed forces of change... nothing can now prevent the emergence of a new, non-racial South Africa."

bearing reefs to the south of Western Areas where the latter company, "Johnnies" and Free State Developments have interests.

A third "interesting" gold area where prospecting rights are held by "Johnnies" is the wedge of ground between Randfontein and Cooke where the Middle Elsburg reefs are thought to contain similar values to those in the two adjacent lease areas. Sir Albert sees a continuing strong demand for gold and says that Rustenburg Platinum Holdings has enjoyed favourable trading conditions in the first

two months of its financial year, but he makes no comment about the diamond interests.

He sees "good reason" to expect that the group's industrial interests will do even better this year, thus confirming this column's recent view that the group is heading for another good year, albeit without a profits increase matching the 40 per cent achieved in the year to last June.

On the other side of the coin, he points out that South Africa's reserves of coal, estimated at some 60bn to 65bn tonnes, "could easily support a level of exports very much higher than the officially imposed maximum of 44m tonnes per annum for 30 years."

At the group's Shangani nickel operation in Zimbabwe, the opening up of the underground mine is behind schedule and operating profits this year may not cover interest charges. The Otjibese copper mine in Namibia remains closed down and, as already reported, "Johnnies" is having talks with potential partners for a re-opening of the property.

Anglo-Vaal group looks for higher profits this year

THE OUTLOOK for the year to June 30, 1981, for Anglo-Transvaal Consolidated Investment (Anglo-Vaal) is favourable, based on current gold and commodity prices, according to Mr. Basil Hersov, the chairman. Mr. Hersov said in his annual statement that all group companies are budgeting for higher profits.

Anglo-Vaal, the South African mining, industrial and finance house, is paying particular attention to mineral exploration and personnel development in order to maintain satisfactory growth in future, he added.

The group's net attributable profit for the year to June 30, 1980, rose to R38m (£20.8m) from R22m, with net earnings 65 per cent higher at a record 808 cents against 543 cents. This growth stemmed from higher gold prices received by Anglo-Vaal's mining investments, increased earnings from the industrial subsidiaries and profits earned by the restructuring of the investment portfolio.

On the subject of exploration, Mr. Hersov said that expenditure on mineral exploration, research and development rose to R5.4m from last year from R4.5m, and the group is stepping up its efforts in the coming year.

Aside from exploration in new areas, Mr. Hersov said that with radical changes in the prices of minerals, companies have to be in a position to re-examine ore deposits not previously considered viable. The group plans capital expenditures over the next three years totalling more than R500m, with about half going to the mines.

Turning to personnel development, Mr. Hersov said that Anglo-Vaal was investing heavily in training in order to cope with the changes which have come about in South African industrial relations since the publication of the Wiehahn Report. In particular, he said, the position whereby employers and registered unions determined the course of labour matters for themselves as well as for Black workers is now changing. "Care will have to be exercised in an attempt to reconcile the fears of some with the rising aspirations of others," he added.

This announcement appears as a matter of record only.

Zagrebacka Banka

Investiciona Komercijalna Banka, Split

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Grand Cayman Island Branch

Irving Trust Company

Agent

Grindlay Brands Limited

Cominco bidding for Bethlehem Copper

CANADA'S Cominco, the metals and chemicals concern in the Canadian Pacific group, has concluded a deal which could lead to the early development of one of the largest copper orebodies in the world, reports John Sogorich from Toronto.

Cominco is paying more than \$20m (13m) for the 20 per cent stake in Bethlehem Copper held by Gulf Resources and Chemical, of Houston, Texas. The purchase will raise Cominco's holding in Bethlehem Copper to 66 per cent, and this could go higher, says Sogorich. Cominco makes a similar offer of \$37.50 a share to the other shareholders. Bethlehem owns and operates

a large open-cut copper mine and concentrator in the Highland Valley area of British Columbia. The operation adjoins a 1bn tonne copper deposit owned by Valley Copper Mines, in which Cominco has an 80 per cent stake. Bethlehem is a minority holder in Valley Copper, and has twofold interests in the company's production.

Other significant stakes in Bethlehem include America's Newmont Mining, with 22 per cent, and Sumitomo Shoji Kaisha of Japan with 3 per cent. The remaining shares are believed to be widely held in the U.S. and Canada. Full acceptance of Cominco's offer would cost the company more than C\$126m.

ANGLOVAAL

Salient features from the Directors' Report

The Company earned a profit after taxation of R19 123 000, compared with R12 070 000 in the 1979 financial year, and its net earnings per share rose to 456 cents (1979: 273 cents) of which 230 cents (1979: 150 cents) were declared as dividends. Consolidated profit attributable to members rose by R15 041 000 to R38 074 000 and earnings per share increased by 65% to 808 cents. The growth in the earnings was attributable to higher dividend payments received from the Group's gold mining investments, significantly improved profits of our industrial companies and increased profits on investment transactions.

A table showing the profit after taxation attributable to members earned from the principal spheres of interest in which the Company is interested is set out below.

| SOURCE OF EARNINGS (including the mining subsidiary not consolidated) | 1979 | 1977 | 1978 | 1979 | 1980 |
|---|------|------|------|------|------|
| Gold mining | 4.1 | 2.8 | 2.9 | 4.8 | 30.7 |
| Other metals and minerals | 3.1 | 2.2 | 4.7 | 2.8 | 7.4 |
| Engineering | 2.8 | 2.0 | 3.2 | 2.8 | 3.7 |
| Food and packaging | 3.3 | 2.8 | 3.2 | 4.2 | 8.3 |
| Building and allied industries | 0.4 | 3.0 | 2.2 | 0.4 | 0.5 |
| Other | 0.4 | 3.0 | 2.2 | 1.0 | 1.0 |
| | 14.2 | 14.0 | 16.1 | 26.6 | 38.5 |

Profit attributable to ordinary shareholders and participating preference shareholders — per consolidated income statement — per report on subsidiaries not consolidated

| | 1979 | 1977 | 1978 | 1979 | 1980 |
|--|--------|--------|--------|--------|--------|
| Profit after taxation | 14 143 | 14 143 | 14 143 | 14 143 | 14 143 |
| Earnings per share | 14 143 | 14 143 | 14 143 | 14 143 | 14 143 |
| — including profit on realisation of investments | 144.7 | 144.7 | 144.7 | 144.7 | 144.7 |
| — excluding profit on realisation of investments | 106.2 | 106.2 | 106.2 | 106.2 | 106.2 |
| Dividend per share | 63.0 | 63.0 | 63.0 | 63.0 | 63.0 |

Increased profit on realisation of investments and higher dividends from gold mining investments accounted for most of the increase in profits. As at 4 September 1980 the market value of listed investments had risen to R245 million. Exploratory expenditure for the year was R2.4 million and it is estimated that a similar amount will be spent in the current year.

HAARTSREESTON GOLD MINING COMPANY LIMITED

| | Year ended 30 June 1980 | Year ended 30 June 1979 |
|-----------------------|-------------------------|-------------------------|
| Turnover | 416 283 | 203 912 |
| Profit after taxation | 135 192 | 64 626 |
| Earnings per share | 1 096 cents | 425 cents |
| Dividend per share | 1 025 cents | 400 cents |

The average price received during the year for gold sold increased by \$273 to \$503 per ounce and resulted in net earnings rising strongly from

R48 million in 1979 to R125 million in 1980. As a result of the higher gold price, profitability to the north-western area has improved and this area will supply a greater quantity of ore than had previously been expected. Alternative methods of handling this ore are being considered, one of which involves an additional shaft from surface. In 1981 it is planned to mill 2.9 million tons of ore at a recovery grade of about 11 g/t. Capital expenditure will remain high and further escalation in costs is expected. Profits will therefore depend on the gold price and the extent to which costs can be contained.

ZANDFAN GOLD MINING COMPANY LIMITED

| | Year ended 30 June 1980 | Year ended 30 June 1979 |
|-------------------------|-------------------------|-------------------------|
| Profit (no tax payable) | 32 354 | 8 743 |
| Earnings per share | 173.2 cents | 67.2 cents |
| Dividend per share | 173.0 cents | 67.0 cents |

The company's main asset, its shareholding in Hartheedsfontein Gold Mining Company Limited, remained unchanged. Income from the investment in Hartheedsfontein was R22.5 million and dividend payments totalling 173 cents (1979: 67 cents) per share were made to members.

LORAIN GOLD MINES LIMITED

| | 9 months to 30 June 1980 (unaudited) | Year ended 30 September 1979 |
|-------------------------|--------------------------------------|------------------------------|
| Turnover | 55 956 | 48 305 |
| Profit (no tax payable) | 12 677 | 4 000 |
| Earnings per share | 35 cents | 9 cents |

Underground development has been increased to create additional stope. This has resulted in a lower tonnage to mill from underground and the reclamation of a surface dump to fill the balance of the reduction plant's capacity. As the dump value is lower than that of underground ore, recovery grade has dropped from 5.3 g/t in the 1979/80 financial year to 3.3 g/t for the 9 months to June 1980. Capital expenditure remains at a high level and is being incurred mainly on shaft sinking programmes.

EASTERN TRANSVAAL CONSOLIDATED MINES, LIMITED

| | Year ended 30 June 1980 | Year ended 30 June 1979 |
|-----------------------|-------------------------|-------------------------|
| Turnover | 29 361 | 14 938 |
| Profit after taxation | 10 042 | 4 013 |
| Earnings per share | 172 cents | 63 cents |
| Dividend per share | 150 cents | 50 cents |

Revenue increased from R15 million to R29.5 million due in the average gold price received rising from \$257 per ounce in 1979 to \$528 per ounce in 1980. Pre-tax profit, despite a sharp rise in working cost, increased by some R12 million to R19.5 million.

VILLAGE MAIN REEF GOLD MINING COMPANY (1984) LIMITED

| | Year ended 30 June 1980 | Year ended 30 June 1979 |
|-----------------------|-------------------------|-------------------------|
| Turnover | 4 355 | 4 551 |
| Profit after taxation | 1 478 | 998 |
| Earnings per share | 15.7 cents | 15.7 cents |

The increased profit followed higher prices received for gold sold. Calcine reclamation operations ceased during the last quarter of the year and the treatment of sands commenced. Two tube mills require recommissioning to ensure a milling capacity of 60 000 tons per month when encountering pockets of coarse material in the dumps. At the same

Extracts from the statement by the Chairman, Mr Basil E. Hersov

- Ordinary share earnings increased by 65 per cent and dividends by 53 per cent. Earnings have more than doubled over the last two years and, over the last five years, have risen by an average 25 per cent compounded annually, equivalent to more than 11 per cent in real terms.
- The growth was attributable to higher gold prices, considerably increased earnings of industrial subsidiaries and profits from the restructuring of the investment portfolio.
- The Group is investing heavily not only in training but in training methods to deal with technical advances and new developments in industrial relations.
- Broad guidelines have been set for the Group's industrial relations policy which enables companies to adjust details to their specific needs.
- Mineral exploration, research and development expenditure rose to R5.4 million (1979: R4.5 million). Drilling for gold in the Orange Free State in partnership with another mining house is continuing, while the Eastern Transvaal prospect will need much more drilling before its geology can be determined. Coal rights have been acquired in the Eastern Transvaal and drilling is taking place for coal in various areas over which mineral rights are held.

Financial Highlights for the year ended 30 June 1980

| | Consolidated 1980 | Company 1980 | Consolidated 1979 | Company 1979 |
|---|-------------------|--------------|-------------------|--------------|
| Profit after taxation | R72 623 000 | R47 618 000 | R19 123 000 | R12 070 000 |
| Dividends paid | R10 046 000 | R8 857 000 | R10 223 000 | R8 789 000 |
| Earnings per ordinary share | 858 cents | 543 cents | 436 cents | 273 cents |
| Dividend per ordinary share | 230 cents | 150 cents | 230 cents | 150 cents |
| Net worth per ordinary share (unconsolidated) | 8 062 cents | 4 380 cents | | |
| Unaudited investments | R63 881 000 | R42 845 000 | R42 847 000 | R38 838 000 |
| Market value | R316 785 000 | R150 131 000 | R258 041 000 | R132 426 000 |

*Notes: Earnings per share exclude the results of the mining subsidiary and extraordinary items.

time, by effecting minor modifications in the remaining sections of the plant, the overall plant capacity can be increased to treat approximately 10 000 tons per month when fine material is being reclaimed.

RAND LEASES (VOGELSTRUIK) GOLD MINING COMPANY LIMITED

Gold mine (diamond). The property has been on a caretaker basis since 1971 but as a result of the higher gold price the feasibility of re-opening the mine is again being investigated.

PRIESKA COPPER MINES (PROPRIETARY) LIMITED

| | Year ended 30 June 1980 | Year ended 30 June 1979 |
|-------------------------|-------------------------|-------------------------|
| Turnover | 63 397 | 69 122 |
| Profit (no tax payable) | 16 942 | 18 805 |
| Earnings per share | 2 cents | 17 cents |

The drop in profits was due mainly to lower copper and zinc concentrate

production caused by a decrease in the head grade of ore treated and by a reduction in the tonnage milled. Exploratory expenditure of R1.3 million was directed partly towards investigating selected properties in close proximity to the mine and partly towards exploring extensions to the main ore body. In the current year a further R1.5 million will be spent on this programme.

THE ASSOCIATED MANGANESE MINES OF SOUTH AFRICA, LIMITED

| | 6 months to 30 June 1980 (unaudited) | Year ended 31 December 1979 |
|-----------------------|--------------------------------------|-----------------------------|
| Turnover | 58 336 | 127 925 |
| Profit after taxation | 8 070 | 19 911 |
| Earnings per share | 71 cents | 254 cents |
| Dividend per share | 60 cents | 180 cents |

After deducting profit attributable to outside shareholders, the consolidated profit for 1979 attributable to the company and its

فكر من العمل

BIDS AND DEALS

Birds Eye and Walls join forces

Unilever's two big UK frozen food products companies, Birds Eye Foods and Walls Ice Cream, are to come together in a joint company from January 1, 1981. Known as Birds Eye Walls, it will be responsible for integrating the two companies, bringing Unilever's frozen products operations in the UK in line with those in other European countries. Walls said last night that the effect on manpower might be the transfer of some of Wall's administrative staff from the head office at Gloucester to the new joint headquarters at Walton on Thames. The joint company had "no

views about closure of plants and if redundancies did occur in future that would not be because of the new company structure.

Birds Eye Foods employs 9,500 people in six factories and Walls's, with two plants, employs 2,500.

The chairman of the new company will be Mr. Don Angel, the Birds Eye chairman. Mr. Hugo Mosser, of Walls, will be the joint company's vice chairman for a few months, before moving elsewhere in the Unilever group.

MIDLAND BANK
Financiera General Motors, a subsidiary of General Motors

do Brasil, has acquired a 9 per cent shareholding in Banerindus Midland Arrendamento Mercantil SA, the Brazilian leasing company in which Midland Bank has a 40 per cent interest.

WALKER LUNT ATTRACTS BUYERS

Over 50 potential buyers have expressed interest in the industrial hygiene manufacturer and distributor, Walker Lunt, to which a receiver was appointed a fortnight ago at the request of its parent, Talbox Group. The receiver, Mr. Christopher Morris of Touche Ross, is now being given reports from the

valuers and aims to sell Walker Lunt on a going concern basis. The subsidiary is estimated to have lost around £700,000 in the year to July 31, 1980 but the proposed sales has attracted unusually high interest, including investigation by most of the leading quoted companies in the sector.

The Talbox share price fell to 41p yesterday and has been unsettled by the inter-group agreements which guarantee nearly all Walker Lunt's secured debts of £1.2m-£1.3m. Unsecured creditors' balances are understood to total some £700,000. The first formal offers are expected early next week.

600 Group offer for Startrite Engrg.

THE 600 Group, the machine tool manufacturing and engineering products and services concern, has emerged as the bidder for Startrite Engineering Group.

The offer has been agreed by the Startrite Board. The 600 Group's offer values the ordinary share capital of Startrite at £2.16m. Under the terms of the bid, Startrite shareholders are being offered 72p in cash for each of their shares and 105p in cash for each 11 per cent cumulative preference share of £1 which they hold in Startrite.

The directors of Startrite and their financial advisers, E. B. Savory, Millin and Co., consider that the terms of the offer are fair and reasonable and the directors of Startrite "strongly recommend all shareholders to accept."

So far the directors of Startrite and the executives of the late Mr. N. J. Vardigan, holding in aggregate 1.54m ordinary shares and 34,797 preference shares (which represent 51 per cent and 8.7 per cent of the issued ordinary and preference capitals respectively) have undertaken to accept the offer.

Acceptors of the ordinary offer will be entitled to receive and retain the final dividend for

the year ended June 30, 1980 of 1.37p per ordinary share proposed for payment on November 28, 1980.

Acceptors of the preference offer will be entitled to receive and retain the dividend for the half year ending December 31, 1980 of 5.5p per preference share payable on that date.

The 600 Group intends that the business of Startrite will be continued and developed and that the interests of employees (including existing pension entitlements) will be fully safeguarded. Mr. W. R. Bruce will continue as chairman of Startrite.

IRISH SHELL PREF. CAPITAL ACQUIRED
Shell Petroleum to make an offer for the preference capital of Irish Shell comprising 120,000 redeemable cumulative 4 1/2 per cent shares of IR£1. Terms are £1.05 cash for each preference share.

CHAMBERS & FARGUS
Mr. Harvey Michael Ross has increased his holding in Chambers & Fargus to 463,000 shares (12.9 per cent), against an issued total of 3,570,000 shares.

SHARE STAKES
Catalio-E. F. Robbins of New York has purchased further ordinary shares in the company,

increasing its holding to 128,000 shares (7.5 per cent).

Commercial Union Assurance
—Kuwait Investment Office has acquired 300,000 ordinary shares bringing its total interest to 20,571,000 shares (5.05 per cent).

MEFI—Mr. D. S. Hunt, director, disposed of 10,000 shares on October 24.

General Manufacturing and Trading Group—Caparo Group has acquired a further 75,000 shares, taking its holding to 2,925,000 shares (11 per cent).

MEFI Furniture Group—Mr. E. W. Lee, director, has disposed of 7,000 shares.

London and Garmore Investment Trust—Hampshire County Council superannuation fund has increased its holding to 355,000 ordinary, representing 8.352 per cent.

Arrow Chemicals Holdings—Mr. J. K. Farrow, director, has disposed of 100,000 shares.

Fosco Minsep—Sir Eric Weiss, director, has disposed of 20,000 shares.

First Castle Securities—Connor Finance has sold 300,000 shares, reducing its holding to 2,192,530 shares (33.66 per cent).

John Smith, director, is sole trustee of the trust in which he holds no beneficial interest, that holds all the shares in W. J. Connor Finance.

Stizwell European Investment Trust—London Trust Company

recently sold 1,400,000 ordinary, thus eliminating its holding in company.

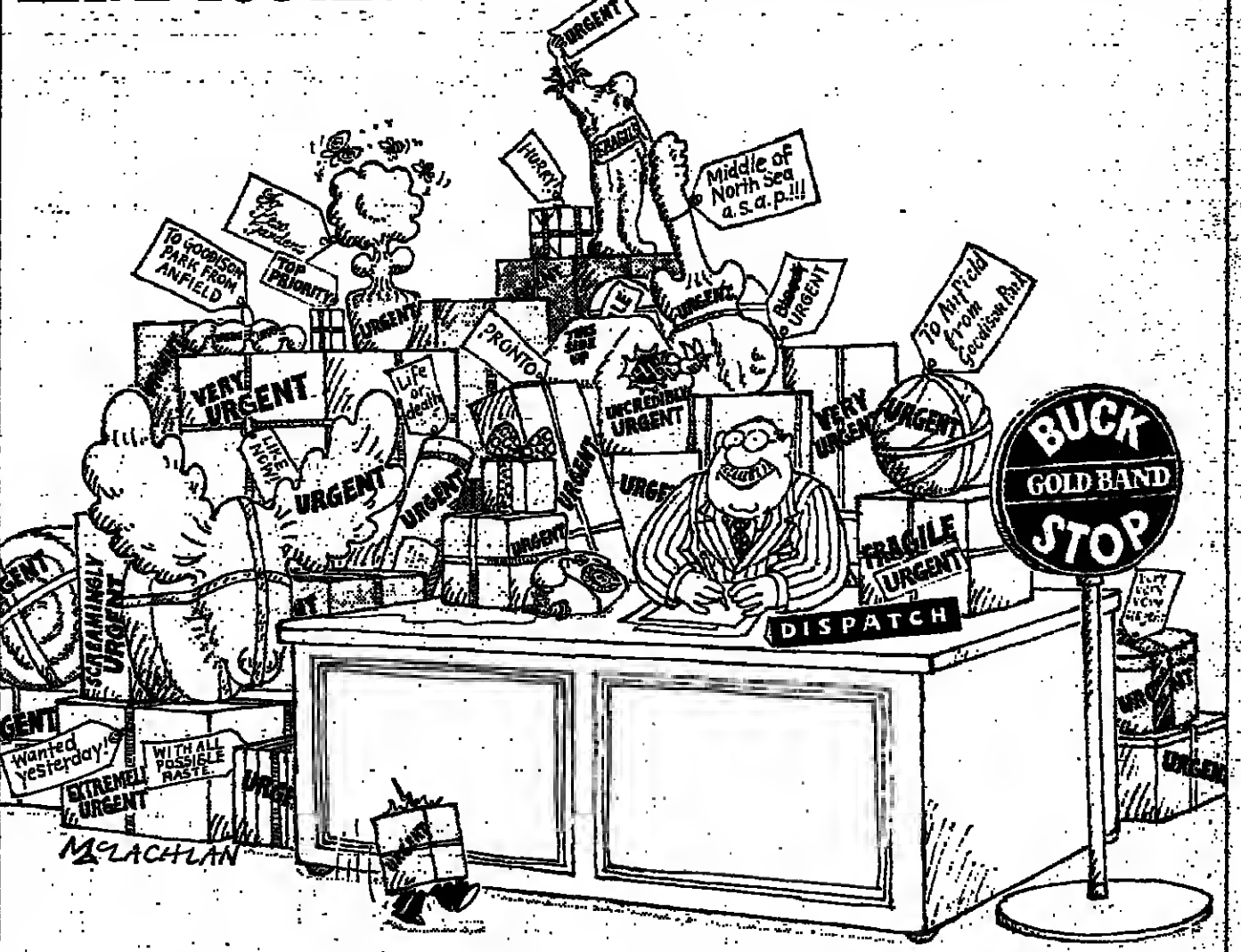
Guidance Feet—Mr. R. A. W. Caine, director, has disposed of a beneficial interest of 60,000 ordinary, and a non-beneficial interest of 35,000 ordinary at a price of 125p per share.

SIR JAMES FARMER NORTON

Agreement has been reached between Mr. Peter, Copp, of Sloy Hayward and Partners, receiver of Sir James Farmer Norton and Co., Messrs David and Charles Norton directors of the company, for the sale of its goodwill, designs and order book. Finance for the new company, Sir James Farmer Norton and Co. (International) has been provided by a Swiss banker and a French investor as well as the previous family investors.

At the same time the receiver has reached a preliminary agreement to sell part of the company's works to Salford Council who will lease it back to International at a later date. International will continue to manufacture and market the same range of equipment as before—including textile finishing and metal working machinery. It will also provide spares and service for machines previously supplied.

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CARR BOYD "RIGHTS" EXTENDED

Carr Boyd Minerals Ltd. advises shareholders of a one week extension of their recently announced Rights issue. Postal delays have resulted in some shareholders not receiving their notices of entitlement. The new closing date is the 11th November, 1980. Terms of the issue which will raise \$44.7m are two shares plus one-third of a share for every three shares held on the register at a price of 50c each—a premium of 30c on the par value. The options can be converted on payment of 50c at any time up to 30th June, 1981. An Air Courier service for return documentation and appropriate bank drafts is available through our London Public Relations Office. City of London Financial Public Relations, Orient House, 42/45 New Broad Street, London EC2M 1QY. 01-528 5518.

Standard Life beats its target

Standard Life Assurance Company, the largest life company in Scotland, reports a successful first year of trading for its unit-linked life operations. Total funds under management over the 12-month period to October 29, 1980, amounted to £16.84m compared with the initial target at launch of at least £15m.

The company offers five separate funds, plus a managed fund investing in units of these five funds. The fixed interest fund amounts to £7.75m with a unit price rise of 19 per cent over the year, with the UK equity fund amounting to £5.8m showing a 53 per cent increase in price. The property fund reached

£18.5m with a 16 per cent price increase, but the international fund at £1.15m rose by 19 per cent.

The company entered the unit-linked field by first marketing a single premium bond, followed a few months

later by a regular savings plan. Recently it launched a regular payment pension contract for the self-employed as it has extended its product range by launching a single premium personal pension bonds, again for the self-employed.

English Nat. Investments

For the half year ended September 30, 1980, net revenue of English National Investment Co. rose from £63,734 to £79,681 after tax of £38,554 against £29,897.

The interim dividend on the preferred ordinary shares is raised from 1.01p to 1.05p and from 1.59p to 1.75p on the deferred ordinary shares.

BANK RETURN

| | Wednesday October 29 1980 | Increase (+) or Decrease (-) for week |
|-----------------------------|---------------------------|---------------------------------------|
| BANKING DEPARTMENT | | |
| Liabilities | £ | £ |
| Capital | 14,553,000 | |
| Public Deposits | 24,346,161 | - 1,013,348 |
| Bankers Deposits | 641,661,804 | + 83,996,896 |
| Reserve & other Accounts | 587,336,534 | - 73,094,286 |
| | 1,378,897,599 | + 13,885,262 |
| ASSETS | | |
| Government Securities | 595,020,856 | + 67,805,000 |
| Advances & Other Accounts | 387,598,435 | - 188,487,569 |
| Premises Equipment & Other | 461,176,676 | + 150,682,598 |
| Notes | 5,050,693 | - 16,122,688 |
| Coin | 970,322 | 89,007 |
| | 1,478,827,599 | + 19,885,962 |
| ISSUE DEPARTMENT | | |
| Liabilities | £ | £ |
| Notes Issued | 10,185,000,000 | |
| In Circulation | 10,119,969,508 | + 16,122,658 |
| In Banking Department | 5,030,593 | - 16,122,658 |
| ASSETS | | |
| Government Debt | 11,015,100 | |
| Other Government Securities | 7,840,887,326 | - 68,166,883 |
| Other Securities | 2,264,037,504 | + 68,166,883 |
| | 10,195,000,000 | |



WE, THE LIMBLESS, LOOK TO YOU FOR HELP

We come from both world wars. We come from Kenya, Malaya, Aden, Cyprus... and from Ulster. From keeping the peace no less than from war we limbless look to you for help. And you can help, by helping our Association, BLESMA (the British Limbless Ex-Service Men's Association) look after the limbless from all the Services. It helps, with advice and encouragement, to overcome the shock of losing arms, or legs or an eye. It sees that red-tape does not stand in the way of the right entitlement to pension. And, for severely handicapped and the elderly, it provides Residential Homes where they can live in peace and dignity. Help BLESMA, please. We need money desperately. And we promise you, not a penny of it will be wasted.

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EUROPEAN OPTIONS EXCHANGE

| Series | Vol. | Jan. | Last | Vol. | Apr. | Vol. | July | Last | Stock |
|---------------------------|---------|------|-------|------|-------|------|------|------|----------|
| ABN C | F.300 | 6 | 2.50 | 1 | 10 | | | | F.291.90 |
| ABN G | F.320 | 26 | 2.50 | 1 | 2 | | | | F.19.10 |
| AKZO C | F.17.50 | 1 | 1.60 | 1 | 1.70 | | | | |
| AKZO G | F.20 | 54 | 1.50 | 14 | 1.70 | | | | |
| AKZO P | F.50 | 10 | 3.70 | 3 | 4.30 | | | | |
| AKZO P | F.25 | 5 | 5.70 | 7 | 6.8 | | | | |
| AMRO C | F.60 | 8 | 4.20 | | | | | | F.62.20 |
| AMRO G | F.65 | 50 | 1.50 | 10 | 2.50 | | | | |
| AMRO P | F.70 | | | 110 | 1 | | | | |
| KODA C | F.70 | 5 | 2.1 | | | | | | F.69.5 |
| HEIN C | F.50 | 20 | 2.80 | 7 | 4.70 | | | | F.60 |
| HEIN G | F.55 | 1 | 0.90 | 16 | 2 | | | | |
| HEIN P | F.60 | 5 | 0.50 | | | | | | |
| HEIN P | F.50 | 13 | 3.20 | | | | | | |
| HEIN P | F.55 | 37 | 6.60 | | | | | | |
| IBM C | F.65 | 10 | 4.3 | | | | | | F.66 |
| IBM G | F.70 | 10 | 2.4 | | | | | | F.47 |
| IBM P | F.70 | 5 | 6.1 | | | | | | |
| KLM C | F.55 | 19 | 8.70 | 10 | 11 | | | | F.63.70 |
| KLM G | F.60 | 938 | 6.20 | 11 | 7 | | | | 7.50A |
| KLM P | F.70 | 257 | 1.50 | 13 | 2.50 | | | | 21 4.50 |
| KLM P | F.65 | 29 | 1.80 | 3 | 3 | | | | |
| KLM P | F.60 | 102 | 3.80 | 5 | 7A | | | | 3 8 |
| NATM C | F.120 | 59 | 3.50A | | | | | | F.117.00 |
| PETR C | F.5500 | 6 | 240A | | | | | | F.5500 |
| PNIL C | F.17.15 | 68 | 0.40 | 165 | 0.80 | | | | F.16.50 |
| PNIL C | F.17.50 | 80 | 1.60 | | | | | | 2 3.80 |
| PNIL C | F.20 | 1 | 3.60 | 3 | 5.70 | | | | |
| OLIE C | F.170 | 15 | 53 | 1 | 41 | | | | F.307.80 |
| OLIE G | F.180 | 8 | 28 | 17 | 31 | | | | |
| OLIE P | F.190 | 28 | 31 | 17 | 25.50 | | | | |
| OLIE P | F.200 | 625 | 14.80 | 127 | 18.40 | | | | 17 20 |
| OLIE P | F.330 | 845 | 6.60 | 528 | 9.10 | | | | 67 11 |
| OLIE P | F.150 | 20 | 0.20 | 5 | 0.50 | | | | |
| OLIE P | F.170 | 10 | 0.50 | 55 | 0.80 | | | | |
| OLIE P | F.180 | 184 | 2.40 | 10 | 3.70 | | | | 8.10A |
| OLIE P | F.200 | 74 | 5.50 | 28 | 8.20 | | | | 20 10.50 |
| OLIE P | F.120 | 5 | 17.50 | | | | | | |
| UNIL C | F.130 | 46 | 1 | 5 | 6 | | | | F.123.20 |
| UNIL C | F.140 | 4 | 2.20 | 1 | 4 | | | | |
| XERO C | F.80 | 5 | 55 | | | | | | 377 853g |
| Nov. Feb. May | | | | | | | | | |
| BOEI C | F.85 | 5 | 15 | | | | | | F.55g |
| COOR C | F.85 | | | | | | | | F.51g |
| SLV C | F.100 | | | 1 | 16 | | | | F.109g |
| TOTAL VOLUME IN CONTRACTS | | | | | | | | | |
| G=Call P=Put 3546 | | | | | | | | | |

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The Rt. Hon. Lord Leighton of D. T. H. Nicholson, M.B.E.
D. C. Sebag Montefiore, R. C. Thurman



dominated in dollars unless otherwise specified. The day's change in conversion into shares. One share of bond per share. expressed in terms of conversion rate fixed at 100.00. The premium of the current market price over the bond price over the most recent

Charting a boom in world trade

BY GEOFFREY OWEN

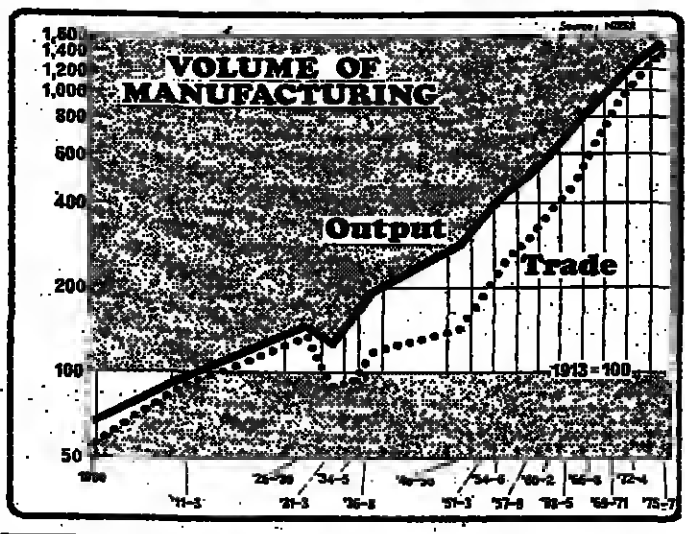
THE 15 years preceding the recession of 1980-81 brought a rate of expansion in world manufacturing output, and still more in world trade in manufactures, which is without parallel over a period of comparable length for at least 100 years. World trade in manufactures trebled in volume during this period.

The most dynamic element was trade between industrial countries—the rise in imports as a proportion of their domestic consumption was much higher than could have been predicted on the basis of earlier experience. The appetite for imports of manufactures among semi-industrial and non-industrial countries was also greater than earlier trends had suggested.

Was the 1960-1975 period a golden age for world trade, brought about by special factors which are unlikely to recur? In a book published yesterday, three economists from the National Institute of Economic and Social Research explain why world trade increased as it did in the 1960s and offer some predictions for the future.

They are building on an earlier NIESR study by Alfred Maizels (Industrial Growth and World Trade, Cambridge University Press, 1963), which examined relationships between industrial growth and trade in manufactures for selected years from 1899 to 1959. Maizels thought that the very fast rise in world trade in 1950-59 was largely a catching-up from the depressed conditions of the 1930s and would not be maintained.

The new NIESR study attributes the exceptionally rapid growth of trade during the 1960s to four factors: reductions in trade barriers, the activities of multinational enterprises, technological developments which created new products where economies of scale are significant and which commanded a mass market and shifts in the location of production to areas where labour



THE GROWTH OF IMPORTS 1899-1971

The figures give the percentage of imports in domestic supplies of manufactured goods among large industrial countries

| | 1899 | 1928 | 1950 | 1959 | 1963 | 1971 |
|---------|------|------|------|------|------|------|
| UK | 16 | 17 | 4 | 6 | 9 | 16 |
| France | 12 | 13 | 7 | 6 | 12 | 19 |
| Germany | 16 | 10 | 4 | 7 | 9 | 17 |
| Italy | 11 | 14 | 8 | 8 | 13 | 15 |
| U.S. | 3 | 3 | 2 | 3 | 3 | 8 |
| Japan | 9 | 34 | 3 | 4 | 4 | 5 |
| Total | 30 | 38 | 3 | 4 | 6 | 11 |

Source: NIESR

was prepared to work as hard and as skillfully as in the older industrial areas for a lower real wage.

The period included almost all the major tariff-cutting exercises of the post-war years—the Dillon and Kennedy rounds of GATT negotiations, the formation of the original EEC and EFTA and the Canadian-United States Automotive Agreement.

Within Europe integration encouraged intra-industry as opposed to inter-industry specialisation in production and trade. "Other things being equal," the authors state, "intra-industry trade entails a higher ratio of imports to output than inter-industry trade. The exchange of Renaults as well as French perfumes for

Volkswagens as well as specialised German optical equipment will lead to more trade both ways than if France exports perfume but not cars to Germany and Germany only optical equipment to France."

Tariff reduction encourages the production of components in different locations "to take advantage of economies of scale—a practice associated with multinational enterprises. The outstanding example in Europe is IBM, which has contributed a great deal to the phenomenal growth of intra-European trade in computers and associated equipment. The authors believe that investment by multinational companies has had a substantial trade-promoting effect.

These companies have tended

to be the leaders in products for which world demand has grown most rapidly, such as motor vehicles, organic chemicals and computers. But the Japanese case shows that multinational are not necessary for the development of technologically advanced industries.

It is the character of the goods themselves rather than their production by multinational enterprises that has contributed to the exceptional growth of trade. Technology makes the new product with a high growth potential, economies of scale encourage production for international rather than national markets, and mass consumption makes possible not only large-scale production but also a high rate of growth.

The fourth factor listed as promoting trade in the 1960-75 period is of a different kind and there was only one major example of its operation—Japan. "Japan was a special case, not perhaps so much because of the high quality of labour of all kinds combined with lower average real earnings as in its wholly exceptional dependence on imported raw materials and fuels. Had Japan been able to supply a higher proportion of its requirements, the pressure to export in order to finance imports essential to maintain a high rate of economic growth would have been much less. . . . Japan is the outstanding 20th century example, as Britain was the 19th century example, of trade-promoting growth and of international specialisation according to factor endowments."

Have the events of the last five years, including the huge rise in the price of oil, confirmed the world economy to permanently slower rate of growth? In the 10 years before the recession OECD countries' aggregate GDP was increasing at 5 per cent a year and the annual rate of rise in manufacturing production was about 6 per cent. The authors point to several factors which make it unlikely that total output or

the share of manufacturing within it will again increase so rapidly during the rest of the century.

The scope for increasing output by changes of occupation within the labour force (e.g. from agriculture into manufacturing) is now greatly reduced. There is greater resistance to mobility both between occupations and geographically. Moreover, the main occupational change will be out of manufacturing into services, where productivity improves much more slowly.

The declining share of profits, especially post-tax, in the national income of most of the industrial countries may have a depressing effect on capital investment. In the last two decades of the century an annual rate of growth closer to 4 than to 6 per cent may be in prospect for OECD countries collectively.

Unrealistic

In the developing countries the annual rate of increase in real GDP went up from 4.7 per cent between 1950 and 1960 to 5.8 per cent in the next 13 years, but then declined slightly to 5.4 per cent between 1973 and 1977. To meet the UNCTAD objectives of a 7.1 per cent annual rate of growth would require an increase in the ratio of investment to GDP which looks unrealistic—not least because of the reluctance of investors in the advanced countries to commit capital to the Third World. The developing countries are unlikely to be able to afford a rate of growth in real GDP of more than 5.4 per cent a year.

As for world trade, any stimulus from further tariff cuts will be limited, but the authors suggest that the long-term effect of reductions already implemented may continue to encourage a growth of trade at a rate which is high by historical standards, if not by those of the 1960s and

1970s. There could be further development of intra-industry trade within Europe, where trade interdependence is still far below the level recorded between the different states of the U.S. This depends on the removal of non-tariff barriers which impede integration.

The authors note that the rise in the U.S., UK and German import ratios from 1963 to 1971 could not wholly be accounted for in terms of tariff cuts and competitive weakness; there was an unexplained residual. "It is possible that in consequence of the spread of industrialisation and the development of new technologies and new products the normal import ratio for a large country is rising. If so this would be a factor in making for faster growth of trade—especially if Japan were to begin to exhibit a development pattern similar to that of other large mature industrial economies."

Against this is the danger that non-tariff barriers will inhibit the growth of trade as protectionism limited it during the 1930s. The authors argue that the industrial countries should be able to cope with the likely growth in manufactured exports from the developing countries—although "they will not, if they can help it, allow the emergence of any more Japanese with a high propensity to export and a low propensity to import manufactures."

The strength of demands for protection will depend very much on the rate of economic growth sustained by the industrial countries. "The experience of the 1970s prompts a fairly optimistic forecast of the growth of world trade. So far as imports into the industrial countries are concerned, there is still sufficient impetus to keep trade growing at a rate above the historical average provided that output also continues to grow reasonably fast."

Industrialisation and the basis for trade, by R. A. Botcheter, R. L. Major and A. D. Morgan. Cambridge University Press, £17.50

BASE LENDING RATES

| | | | |
|---------------------------|-----|-------------------------|-----|
| A.B.N. Bank | 16% | Hambros Bank | 16% |
| Allied Irish Bank | 16% | Hill Samuel | 16% |
| American Express Bk. | 16% | C. Hoare & Co. | 16% |
| Amro Bank | 16% | Hongkong & Shanghai | 16% |
| Bank of America | 16% | Keyser Ullmann | 16% |
| Bank of Canada | 16% | Knowles & Co. Ltd. | 16% |
| Bank of China | 16% | Langris Trust Ltd. | 16% |
| Bank of India | 16% | Lloyds Bank | 16% |
| Bank of Japan | 16% | Edward Mansoor & Co. | 16% |
| Bank of Korea | 16% | United Bank | 16% |
| Bank of London | 16% | Samuel Montagu | 16% |
| Bank of Mexico | 16% | Morgan Grenfell | 16% |
| Bank of New York | 16% | National Westminster | 16% |
| Bank of Paris | 16% | Norwich General Trust | 16% |
| Bank of Rome | 16% | P. S. Refson & Co. | 16% |
| Bank of Spain | 16% | Rossmore | 16% |
| Bank of Sweden | 16% | Ryl. Bk. Canada (Ldn.) | 16% |
| Bank of Switzerland | 16% | Schlesinger Limited | 16% |
| Bank of the South Seas | 16% | E. S. Schwab | 16% |
| Bank of the West | 16% | Security Trust Co. Ltd. | 16% |
| Bank of Tokyo | 16% | Standard Chartered | 16% |
| Bank of Victoria | 16% | Trade Dev. Bank | 16% |
| Bank of Western Australia | 16% | Trustee Savings Bank | 16% |
| Bank of Western India | 16% | Twentieth Century Bk. | 16% |
| Bank of Western Union | 16% | United Bank of Kuwait | 16% |
| Bank of Western Union | 16% | Whiteway Ltd. | 16% |
| Bank of Western Union | 16% | Williams & Glyn's | 16% |
| Bank of Western Union | 16% | Worthington & Co. | 16% |
| Bank of Western Union | 16% | Yorkshire Bank | 16% |

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EUROBONDS

The Association of International Bond Dealers Quotations and Yields appears monthly in the Financial Times.

It will be published on the following dates in the remainder of 1980:

November 11 December 16

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APPOINTMENTS

Avon Rubber directors

Mr. John Pinckard, chief executive of the Serck Group, and Mr. Ian Weston Smith, chairman of the Morgan Crucible Company, have been appointed additional non-executive directors on the main board of AVON RUBBER COMPANY from tomorrow.

Mr. John P. Robertson and Captain M. V. Stone have been elected directors of FURNESS WITHY AND CO. Mr. Robertson is chairman and managing director of Furness Withy (Charterings). Captain Stone is a director of Orient Overseas (Holdings) and managing director of Dart Container Services.

ATCOST has made the following appointments: Mr. Terry Butcher and Mr. Jim French, have joined the board of Atcost Structures. Mr. Mike Duhig has become a director of the general Eastleigh-based company, Atcost Projects, and Mr. George Maw joins the board of the firm's manufacturing subsidiary, Atcost Concrete.

At the annual meeting of the INSTITUTION OF ELECTRONIC AND RADIO ENGINEERS Mr. John Powell was elected president for 1980-1981. He succeeds Professor William Gosling.

Mr. David Palmer has been appointed Deputy Editor of the FINANCIAL TIMES from January 1, 1981. Mr. Joe Rogaly, Managing Editor, Mr. D. E. Jones, Associate Editor and Mr. Nicholas Colchester, Foreign Editor.

Mr. Gordon A. Rogers, deputy financial director, has been appointed financial director of the LONDON ELECTRICITY BOARD in succession to Mr. James Smith.

Mr. A. J. Taylor, previously deputy president of the PROCESS PLANT ASSOCIATION, has been elected president in succession to Mr. Roger Kingston who is taking up a new appointment outside the process plant industry.

Mr. Peter Godfrey has been elected senior partner of ERNST AND WHINNEY from tomorrow to succeed Mr. Dennis Garrett, who is retiring from the firm.

DELOITTE HASKINS AND SELLS, chartered accountants, announces the following admissions to partnership from November 1. Mr. A. T. Robert MacFarlane to the UK and Liverpool firms; Mr. Peter J. Reader to the UK and London firms; Mr. Paul J. Twanney to the UK and Newport firms; Mr. Nicholas R. E. Barron to the UK and Southampton firms; and Mr. Darrin P. Murray to the Dublin office of the Republic of Ireland firm. Mr. Edward T. Peers and Mr. Geoffrey J. N. Smart have been admitted to partnership in the firm of Deloitte Haskins and Sells Associates from November. Mr. Ingram A. T. Legge has resigned his partnership from the Liverpool firm of Deloitte Haskins and Sells, to read for a law degree at Cambridge University from October 31.

LEINER GELATINS has formally announced the composition of its board: Mr. M. W. Kaye is chairman; Mr. T. J. Loveland, managing director; Mr. A. Henry, finance director; Mr. I. E. M. Hughes, marketing director; Dr. R. K. Merritt, pro-

duction director; and Mr. W. Campbell Allan, non-executive director. Dr. D. Thomas will join the board as technical director on January 1, 1981.

Mr. John A. Pike has been made vice-president, new product development, of SWEARINGEN AVIATION CORPORATION.

PENTAX (UK) has made the following appointments: Mr. Geoffrey Lloyd, financial controller, is appointed finance director and company secretary and Mr. John Radford, general manager (sales and marketing), has become director of sales and marketing. Mr. H. Touge, European treasurer of Asahi Optical, Europe, has also been appointed to the board.

Mr. Cecil Berens, having reached the age of 72 will retire as chairman and resign as a director of SOVEREIGN OIL AND GAS on December 31. Mr. C. E. A. Hambro, chairman of Hambros Bank, has been elected a director and appointed chairman from January 1. Mr. J. C. L. Keswick, an executive director of Hambros Bank, has also been elected a director.

Mr. Bernard Friend, member for finance, British Aerospace has been appointed to the Boards of the IRON TRADES INSURANCE GROUP.

Mr. John McMahon has been appointed as the new commercial director of TELFORD DEVELOPMENT CORPORATION in Shropshire. He is currently the assistant director of development in the estates department of Peterlee Development Corporation. He succeeds Mr. Bob Tilmouth, who has become general manager of Washington Development Corporation.

Mr. David Footes has been made director of GRUNDFOS PUMPS, the British subsidiary of the Danish-based Grundfos pump manufacturing company. Mr. Alan Bradley has been appointed production director of the company's British manufacturing subsidiary, Grundfos Manufacturing.

Mr. Michael Tyrrell has been appointed director of the CRUSADER INSURANCE COMPANY. He succeeds Mr. W. D. Scattergood who has retired.

Mr. Nigel Harrison has been appointed financial director for THOMSON TRAVEL. Mr. Roger Heape has been promoted to the position of marketing director of Thomson Holidays, while Mr. Martin Brackenbury has joined Thomson Holidays as personnel director.

Mr. Jacques W. Zoller has been appointed a director of GLOBAL NATURAL RESOURCES, the U.S.-based oil and gas exploration company.

Mr. Stanley Samwell, a senior partner in Joselyne Layton-Bennett and Co. has been elected president of the INSOLVENCY PRACTITIONERS' ASSOCIATION for the year 1980-81.

Mr. S. L. Keswick, Mr. R. P. d'Ambrunil and Mr. M. P. Dawson have been appointed directors of GLANVILL ENTHOVEN AND CO. (UNDERWRITING).

Mr. Philip Carter, managing director of the Littlewoods Organisation, has become chairman of the MAN-MADE FIBRE

PRODUCTION SECTOR WORKING PARTY

Mr. J. H. Erers, the London Metal Exchange, has been appointed chairman of the FEDERATION OF COMMODITY ASSOCIATIONS covering the EEC. Mr. J. W. R. Fick, E. G. Cornhill and Co. has been chairman of the BRITISH FEDERATION OF COMMODITY ASSOCIATIONS.

A. DENTISPLY INTERNATIONAL INC. Mr. Bernard J. Beazley has become senior vice-president—professional relations and Mr. John K. Behrmann senior vice-president—finance.

Mr. R. F. Craig, general manager of Fraser & Neave, is appointed managing director of A. C. ILLUM A/S of Copenhagen. Mr. J. C. Howie, deputy property controller, has been appointed property controller of House of Fraser, following the retirement of Mr. D. R. H. Donald on grounds of ill-health.

Mr. John Pollard is retiring as finance director of MARLEY. He has also resigned as director of certain overseas subsidiaries.

Mr. Neville Holmes, marketing director (consumer products) of Storey Brothers and Company, has been appointed divisional marketing director of ARTHUR SANDERSON AND SONS with responsibility for fabrics, wall-coverings, paint and carpets. He succeeds Mr. M. J. R. Jeremy, who has relinquished his executive responsibilities.

Mr. B. H. Nathan and Mr. K. J. McQueen have been appointed to the Board of GENERAL MINING UNION CORPORATION (UK) (the London operating subsidiary of General Mining Union Corporation of South Africa). Mr. Nathan is managing director of Ayrton Metals, dealers in platinum group metals and a subsidiary of Impela Platinum Holdings. Mr. McQueen has recently joined General Mining Union Corporation (UK) to take charge of recruiting for the Gencor Group in the UK.

Mr. C. M. Hough, chairman and managing director of the Rees Hough Group, has been appointed chairman of the UK PIPE JACKING ASSOCIATION in succession to Mr. W. E. Reid, director of the Tube Headings division of Cementation Mining, who retires following two years in office. Mr. A. Meas, a director of Delta Construction, has been appointed vice-chairman.

Mr. John K. Adams has been appointed marketing director of BRITISH POLAR ENGINES, Glasgow, the principal subsidiary of Associated British Engineering.

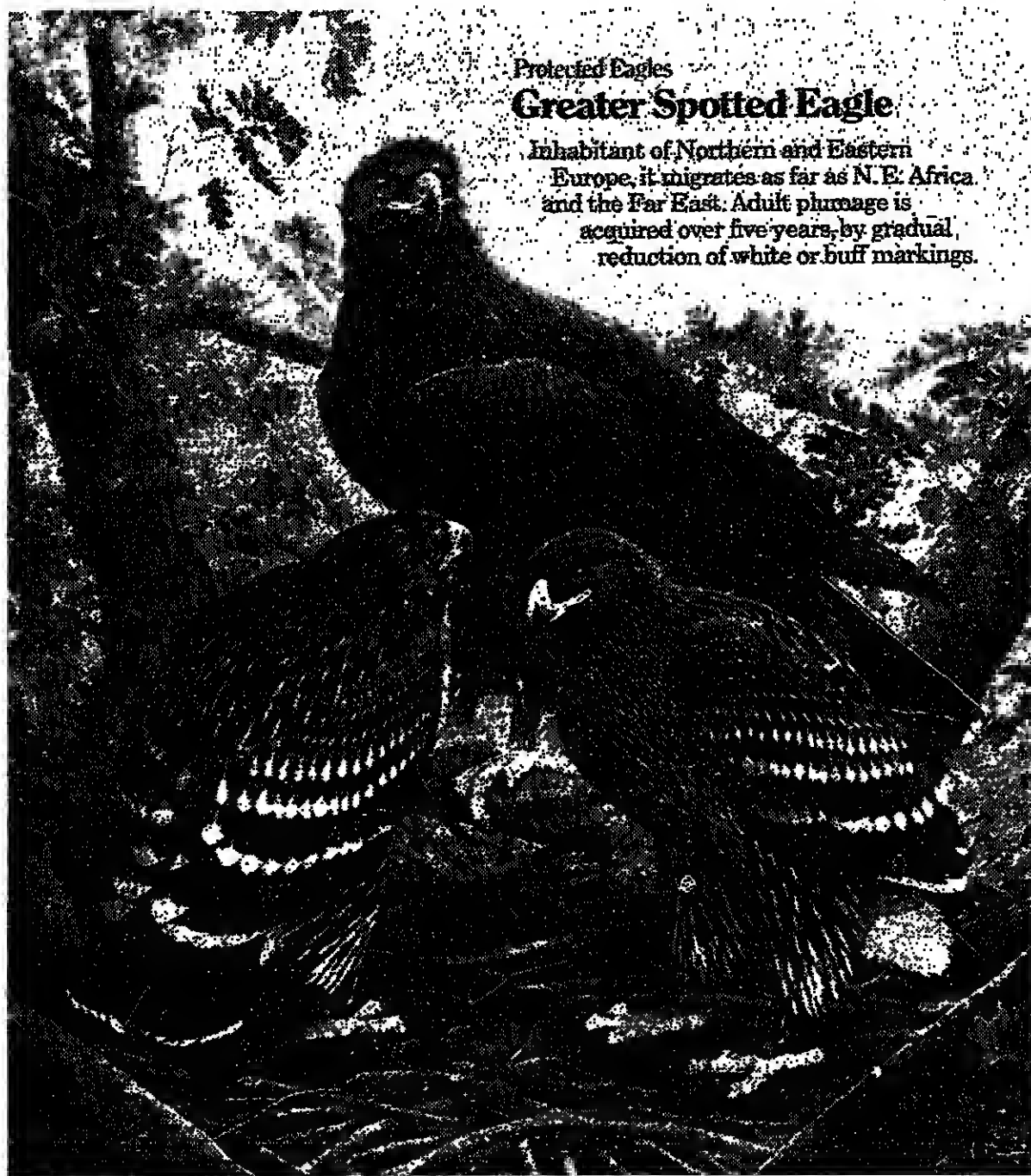
Mr. Edward W. Jackson, formerly chief dealer of Sunning Trust and Banking Co., will join LIBRA BANK as senior manager—treasury on November 3.

Mr. Gerald H. Cookson has been appointed from November 1 a regional director of the Northern regional Board of LLOYDS BANK.

Mr. Alan E. Siddons has become financial director and company secretary of WELLMAN INCANDESCENT on the resignation of Mr. David Westhead. Wellman Incandescent is a subsidiary of the Wellman Engineering Corporation of London.

One insurance company offers you a free renewal no-claims bonus on home and contents insurance. Eagle Star, with the Home 'All-in' Bonus Policy.

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WALL ST. AND THE ELECTION

Flying the Republican colours

BY DAVID LASCELLES IN NEW YORK

THE "REAGAN RALLY" is what Wall Street pundits have already dubbed this summer's extraordinary surge in share prices which took the Dow Jones Industrial Average within a whisker of the magic 1,000 mark for the first time in four years. Actually, the surge had as much to do with hopes of U.S. economic recovery as with wagers on Mr. Ronald Reagan winning the Presidential election next Tuesday. But Wall Street likes to nail its Republican flag to the mast, and it has missed few opportunities to boost the Reagan cause throughout the election campaign, although deep down it probably suspects that the key to its fortunes in the next four years lies not so much with the White House as with Congress.

Wall Street wants Mr. Reagan for all the obvious reasons. It perceives him to be more pro-business than President Jimmy Carter. It also thinks he will do a better job of fighting inflation and curbing such economic ills as poor productivity and a meddling bureaucracy. By extension, this means healthier credit and stock markets and, possibly, an end to the financial traumas which have marked the second half of Mr. Carter's term.

It also prefers his tax cut proposals to Mr. Carter's because they are higher and promise relief to both business and individuals.

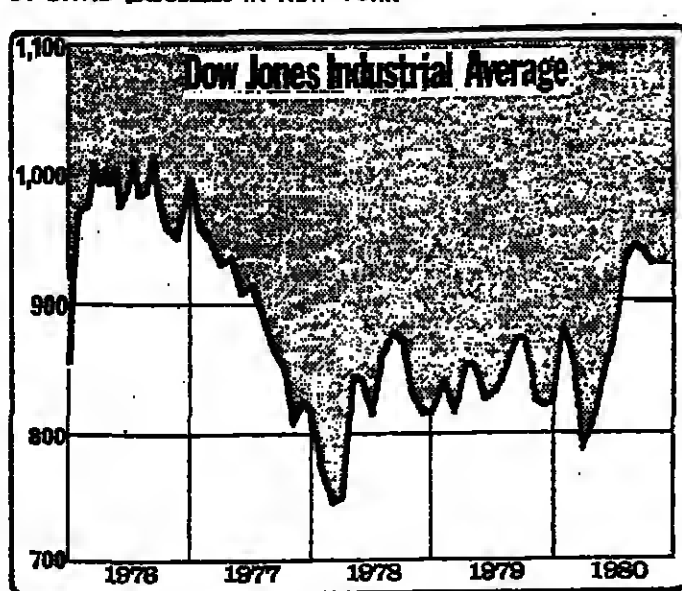
But, as the grandeur of this vision suggests, Wall Street's hopes for Mr. Reagan contain a

big dose of wishfulness, uncharacteristic of a community which prides itself on scepticism.

Anyone who delves deeper quickly discovers nagging doubts about Mr. Reagan's ability to square his budget. In his election "platform" he promises both to cut taxes and increase defence spending, twin goals which would seem to knock the props from under his third big promise which is to reduce the federal deficit on the way to balancing the budget by 1983.

Mr. Reagan and his advisers refuse to accept there is a contradiction here, arguing that their industrial policy will stimulate a surge in production which will yield higher profits and more taxes. Many economists, needless to say, remain unconvinced, which means they are not completely sold on his ability to bring down inflation and interest rates either.

In this respect, Wall Street takes a somewhat different view of Mr. Reagan than industry. Whereas U.S. manufacturers and producers want policies which will get the economy going again and make the production process easier (by, for example, deregulation), the financial community attaches equal importance to the fight against inflation. And unless a new Administration can show success on both fronts, Wall



Street's markets are bound to remain weak.

Generally, though, there can be few places in the U.S. with a thicker concentration of blue "Reagan for President" lapel buttons than Wall Street.

By contrast, Wall Street feels little, if any, affinity to Mr. Carter, whom it scorns for his failures of the last four years. But again one can scratch down to a different level, this time to find a grudging respect for his dogged pursuit of such goals as oil price decontrol—when he could have frozen prices as a quick fix for inflation—and his resistance to calls both for wage and price controls and

for protectionism. He also earns some credit for appointing Mr. Paul Volcker as chairman of the Federal Reserve Board.

Mr. Carter's recent proposals to revitalize industry, embryonic though they may be, are also held to be encouraging.

On balance, though, another four years of Mr. Carter is something Wall Street feels it could well do without.

Mr. Carter's first term contained more than its share of economic crises, including the highest U.S. interest rates since the Civil War more than 100 years ago. Apart from the fact that this brought the credit mar-

kets to a virtual standstill last March and gave the stock market a very bumpy ride, it also threatened to drive many Wall Street houses and banks out of business. (Miraculously, the number of casualties was small).

Mr. Carter's failure to control federal spending and curb the deficit is seen as another big liability. And the fears are that if he is re-elected he will only lead the economy back into soaring prices and interest rates. Small wonder that when the opinion polls last week showed Mr. Carter catching up on Mr. Reagan, if not actually ahead, that share and bond prices tumbled in alarm.

The bottom line, to use Wall Street's favourite phrase, is that a Reagan win is bound to cheer the market up, and a Carter win depress it. But both reactions are just as likely to be short-lived. No one on Wall Street deludes himself that change comes quickly, and the fundamentals for 1981 are already embedded in the equivalent of economic concrete: a huge federal deficit, higher oil prices, and an underlying inflation rate of 8 to 10 per cent.

Whether things will change later is a different matter. But a President from either party will have to win congressional approval for his programmes, and for this reason Wall Street analysts will be watching as much for a shift in the distribution of congressional seats as for a big majority for their candidate.

Swedish shipping group deficit deepens

By Westerly Christner in Stockholm

BROSTROM Shipping Company, the Swedish shipping group, experienced a further deterioration in its performance with its net loss for the first eight months rising to SKr 61m (\$21.5m) from the SKr 62m loss made during the corresponding period a year ago.

The deterioration was attributed in the interim report to investment costs associated with tonnage purchases and a freight war in the northern Atlantic trade. Consolidated turnover reached SKr 1,448m (\$330m) during the eight months, against SKr 1,458m.

For 1980 as a whole, the board predicts an improvement compared with last year's net loss of SKr 100m on turnover of SKr 2,172m. It is expected that continued cost-cutting measures and investment in such areas as real estate will help lead to a further recovery in 1981.

Contributing to the eight-month loss was this spring's domestic labour disruptions, which were said to have lopped off about SKr 25m in earnings. During the eight months an improvement was noted for the bulk and liner divisions, which is expected to amount to a pooling of services with another Swedish shipping company, Transatlantic, on November 7.

Sales of vessels and stock gains amounted to income of SKr 102m during the period. Group investments totalled SKr 71m, of which SKr 42m was accounted for by tonnage purchases.

Nestle sets up committee

NESTLE, the Swiss parent company of the Nestlé group, has set up an executive committee which is intended to solve problems connected with the management of subsidiaries, "particularly the maintenance and, where possible, the improvement of the profitability," reports John Wick in Zurich.

Four French textile makers plan merger

BY DAVID WHITE IN PARIS

FOUR FRENCH woollen textile companies have drawn up the details of a merger plan which represents the biggest restructuring to take place in the troubled French textile industry for two years.

The new group, based in the north of France and formed around the debt-laden Lainière de Roubaix, will have a combined annual turnover of around FFr 5bn (\$1.2bn). The companies, which already had close financial, industrial and commercial links, will be brought together under the name Prouvost, with the main French manufacturing operations regrouped under the name Lainière de Roubaix.

The merger creates one of the top textile concerns in the country, alongside Delfina-Milieu Agache-Willot, the retail end textile group which took over the bankrupt Bouscat concern in 1978, and the synthetic fibre division of Rhône-Poulenc.

It will have a combined workforce of about 21,500. According to Lainière de Roubaix, the merger is not expected to lead to staff cuts.

Lainière de Roubaix is only now coming out of a tough recovery programme. It recorded a pre-tax profit at group level of FFr 35m in the first half of this year, against a FFr 5m loss in the same period last year. Sales showed a modest increase to FFr 1.55bn from FFr 1.50bn.

It is one of two quoted companies involved in the deal, the other being Prouvost. Under the merger terms, which shareholders from all four companies are to vote on in December, Prouvost shareholders will receive 13 Lainière de Roubaix shares for each one of theirs. On the basis of latest quoted prices this values Prouvost's shares at FFr 470 compared with the current level of FFr 390 on the Lille bourse.

Prouvost, a holding company, registered a net loss of FFr 885,000 in the first half year. The affiliated company Prouvost et Lefebvre, which is active in international wool trading, showed a profit of FFr 2.35m.

Prouvost et Lefebvre shares will be exchanged on the basis of 45 Lainière de Roubaix shares for two of its own. The fourth company, also closely related, is Société Auxiliaire de l'Industrie Textile (SAIT), whose shares will be exchanged at a rate of 39 for eight.

The merger is seen as bringing together complementary activities ranging from raw wool to clothing under one management, and as strengthening Lainière de Roubaix's financial base.

Prouvost and Prouvost et Lefebvre were already important shareholders in Lainière de Roubaix, with 17 per cent and 24 per cent respectively.

Axel Johnson subsidiaries mixed

BY OUR STOCKHOLM CORRESPONDENT

THE TWO leading groups within the Axel Johnson group, A. Johnson and Company and the Nordstjernan group, have shown mixed results for the first eight months of the year.

The A. Johnson and Company group showed net earnings of SKr 15.2m (\$3.6m) for the eight months, SKr 13m less than reported during the corresponding period in 1979. Consolidated turnover rose to SKr 3.4bn (\$803m) from SKr 3bn.

For 1980 as a whole, the management expects a further

earnings improvement from the interim period. Last year's net earnings amounted to SKr 51m on turnover of SKr 5.03bn.

Group investments amounted to SKr 15m during the period, and while group liquidity was somewhat weakened compared with the previous period the report states that it is "still good."

The other leading group within the Axel Johnson group, the Nordstjernan group, reports net earnings of SKr 115m for the first eight months of the year, a substantial improvement

from the SKr 6m registered during the corresponding period in 1979. The improvement mainly was attributed to recoveries in the special steels and shipping units.

Consolidated turnover reached SKr 4.9bn during the eight months, against SKr 3.6bn. During the period extraordinary income was SKr 119m, of which SKr 111m was derived from a transfer of shares in J. S. Saba, the produce importing firm, to NK-Ahlens. For 1980 as a whole the management expects a further improvement.

SKF offers stock swap to French minority interests

BY WESTERLY CHRISTNER IN STOCKHOLM

SKF, the Swedish bearings and steel manufacturer, is offering its minority shareholders in the company's French subsidiary, SKF Compagnie d'Applications Mécaniques (SKF-CAM), a five-for-three stock swap against shares in the Swedish parent.

The Swedish company hopes to acquire the remaining 11 per cent outstanding shares in SKF-CAM, which makes bearings through the share swap.

After an operating loss in 1979, the French unit was back

in the black by June this year. Altogether, SKF's total French activities contributed SKr 1,450m (\$340m) to consolidated turnover last year, and was the fourth largest manufacturing company within the group with 5,500 employees.

Of SKF's five West European bearing manufacturing units—including Italy, Germany, Great Britain and Sweden—the French unit is the only one which is not 100 per cent owned by the parent company.

Hachette share buying starts takeover rumours

BY OUR PARIS STAFF

ACTIVE BUYING of shares in the Hachette publishing and press group on the Paris stock market in recent weeks has given rise to speculation about a possible takeover.

About 145,000 shares, or 8 per cent of the total, are reported to have changed hands on the cash and forward markets between July and September, and buying pressure has continued this month amid conflicting rumours about the

identity of the purchaser or purchasers.

Hachette, the leader of its sector in France, suffered a sharp fall in its net profits last year to FFr 97m (\$22.5m) from FFr 179m after respite large capital gains the previous year as a result of reorganisation. The group is facing problems in book publishing, but other sectors are generally regarded as promising.

This announcement appears as a matter of record only



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September 1980

Winterthur expects static profit

By John Wicks in Zurich

PROFITS AT about the 1979 level of SwFr 80.4m (\$35.53m) are expected for the current year by Winterthur Swiss Insurance Company.

While underwriting results are expected to show a slight deterioration over the year, the company sees investment income growing 8 to 10 per cent.

The group also forecasts a repeat of 1979 results by its subsidiary, Winterthur Life Insurance Company, which last year had net profits of SwFr 4.7m (\$2.76m), after transfers to the insurers' profit-sharing fund.

In the group's non-life sector, premium growth in Switzerland is likely to outpace last year's 6.7 per cent rate, while on foreign markets falling below the 1978 growth rate of 14.2 per cent in the life insurance sector, however, underwriting growth abroad should match or surpass the 13.2 per cent booked last year.

A "very high" increase rate is expected in the re-insurance sector, although this will be the result partially of changes in accounting practice. Due to this development, combined group premiums are expected to increase by more than the 9.6 per cent which brought them up to SwFr 3.35bn (\$1.97bn) last year.

In the case of the British-Swiss-Japanese joint-venture Norwich-Winterthur, growth should be more than double last year's 12.6 per cent.

KLM sees loss despite upturn

BY CHARLES BATCHELOR IN AMSTERDAM

KLM-ROYAL DUTCH Airlines expects to incur a loss this year, its first since 1975, despite an upturn in profits in the second 1980-81 quarter. Markets have deteriorated as a result of the hesitant world economy and recent increases in tariffs.

The Dutch national airline increased second quarter net profit by 48 per cent to Fl 91.4m (\$515m). Operating costs, including depreciation, rose 14 per cent to Fl 952m.

The operating result before interest rose 70 per cent to Fl 101.8m. A more than doubled interest charge of Fl 9.4m and the move into a loss

on extraordinary items compared with last year's profit of Fl 5.7m reduced the improvement at the net level. Profit per Fl 100 nominal share rose to Fl 22.94 from Fl 15.54.

Despite the improvement in the second quarter, the airline's first-half result was lower than in the same period last year. Net profit fell 14 per cent to Fl 78.4m on revenues which were 19 per cent higher at Fl 1,990m. Operating costs rose 20 per cent to Fl 1,990m.

The first-half operating result rose 7 per cent to Fl 98.8m. However, the 145 per cent rise in the net interest charge to Fl 20.6m and the sharp decline

in extraordinary earnings led to the fall at the net level. Profit per share fell to Fl 23.08 from Fl 19.92.

KLM carried only 1 per cent more passengers and freight in the second quarter compared with a 6 per cent rise in available capacity. The company's load factor fell to 63.4 per cent from 65.8 per cent.

Scheduled passenger traffic, particularly badly affected by the airline recession, rose only 1 per cent. Freight traffic increased by 4 per cent while 17 per cent more post was carried. Charter traffic continued to decline and showed a fall of 12 per cent.

Tribunal to investigate Fairfax purchase

BY JAMES FORTH IN SYDNEY

THE AUSTRALIAN Broadcasting Tribunal has decided to hold a public inquiry into the acquisition of a 14.57 per cent shareholding in Herald and Weekly Times, the Melbourne-based media group by John Fairfax the Sydney press group. The tribunal will also look into arrangements by which Fairfax sold its interests in two television stations to shell companies owned by the Fairfax solicitors, Stephen, Jacques and Stephens. Fairfax bought the H and W holding on the market late last year for A\$50m (US\$58.62m) to prevent the News Corporation press group headed by Mr. Rupert Murdoch from succeeding with a partial

takeover bid for control. Apart from H and W's newspaper holdings, News was interested in its Melbourne television station, HSV-7. News subsequently gained joint control of another television station ATV-10 through the purchase of 50 per cent of Ansett Transport, the airline, transport and television group, which gave it the Sydney and Melbourne stations to the 0-10 network.

The tribunal recently refused to approve this deal on the grounds that it was not in the public interest for News to control the Sydney-Melbourne axis of the network. News has appealed against the decision. The Fairfax purchase gave it

too many television interests under the Broadcasting and Television Act. In an attempt to avoid a breach Fairfax sold its interests in the Brisbane station, QTV-9 and the Canberra station CTC-7 to the Shell companies, while buyers were sought.

Buyers were subsequently found and the sales by the shell companies have already received tribunal approval. But the tribunal has not yet approved the first stages, the Fairfax purchases in H and W and the subsequent sale of television interests to the shell companies. It has now decided to hold a public inquiry but has yet to announce a date.

Continued growth at Bank Leu

By Our Zurich Correspondent

BANK LEU, Switzerland's fifth largest commercial bank, reports a continuation of "generally good" business in the third quarter of this year.

A further narrowing of interest margins was offset by higher earnings from non-credit operations, according to the Zurich-based bank.

The balance-sheet total expanded by 2 per cent in the quarter to SwFr 6.11bn (\$3.6bn), representing a rise of 16.6 per cent since the end of last year. Meanwhile, Swiss Volksbank of Bern, has reported a record assets total of SwFr 17bn (\$10bn) at the end of the third quarter. Swiss Volksbank, which forecasts "good results" for 1980 as a whole, also reported tighter interest margins and said these were compensated for by a "gratifying" result in the non-credit sector, and by the fact that operating costs were kept within budgeted limits.

Bank formed for Saudi-Swiss trade

Union Bank of Switzerland (UBS) and a number of Saudi Arabian investors yesterday announced the formation of the Bank for Saudi-Swiss trade and investment. To be located in Geneva, AP-DI reports from Geneva. UBS will have a 60 per cent interest in the bank, which is being capitalised at SwFr 50m (\$29.5m). The bank is scheduled to open in about two weeks.

New Australian bank has share capital of A\$30m

BY OUR SYDNEY CORRESPONDENT

FOURTEEN GROUPS covering major public companies and pension funds are the founding shareholders of Australian Bank Ltd., the first new trading bank formed in Australia for more than 50 years.

The bank has an issued capital of A\$30m and expects to open for business, initially with an office in Perth, Sydney and Melbourne, in the second quarter of 1981. The bank was largely the brainchild of Mr. Garrick Agnew, a Western Australian businessman and former Olympian, and Mr. Mark Johnson, a prominent Australian merchant banker, just returned from a senior executive position in London with Hill Samuel.

The shareholders of Australian Bank are Geothite Investments (a company associated with Mr. Agnew), Gas and Fuel Corporation Superannuation Fund of Victoria, Moonie Oil Company, Myer Emporium, North Broken Hill, Swan, Brewery and West Australian Newspapers (a sub-

sidary of Herald and Weekly Times) each with 10 per cent of the capital, Staveording Employees Retirement Fund Ltd., the first new trading bank formed in Australia for more than 50 years. Holding with 6.66 per cent, CRA Staff Provident Fund and Shell Australia Contributory Pension Fund each with 5 per cent. Investors Pty (associated with the Angliss family) with 3.33 per cent, M. G. Kallis and Company with 1.66 per cent, and Klyce Investments (associated with Mr. Johnson) with 0.83 per cent.

The initial non-executive directors are Mr. Agnew, Mr. Lawrence Baillieu (North BH), Sir John Dunlop, Mr. Peter Mitchell (Moonie Oil), Mr. Keith Rosenbaum (Myer) and Mr. Lloyd Zampatti (Swan Brewery).

Sir John Dunlop is a director of several companies and for the past three years has been senior adviser on Australian affairs to Banque de Paris et des Pays-Bas (Paribas).

Adia buys stake in Mistral

By Our Zurich Correspondent

ADIA SA, the Lausanne-based holding company of the Adia interim temporary employment group, has acquired a controlling interest in Mistral Wind-surfing AG. Purchase price was not disclosed.

Mistral, whose headquarters are in Nuernschoof, Switzerland, is one of the world's leading producers and distributors of wind-surfing boards. The share purchase, according to M. Henri Lavanchy, chairman of Adia, is an "important expansion" of the group into the sport and leisure sector. This is seen as being allied to Adia's temporary employment activities in appealing mainly to young people and the sector is experiencing dynamic growth. Adia itself intends to put its management financial and marketing experience at the disposal of Mistral to build up international markets. This will be the case particularly in North America, where wind-surfing is said to be less common than in Europe.

Qantas obtains A\$106m aircraft leasing package

BY OUR SYDNEY CORRESPONDENT

AUSTRALIA'S international airline, Qantas has obtained a A\$106.7m (US\$125m) leasing package to finance aircraft purchases.

The leasing arrangement has been committed in four currencies, Australian dollars, Dutch guilders, German marks, and sterling, which will enable Qantas to make repayments from earnings in those currencies. Monthly payments will also enable the airline to minimise foreign exchange fluctuation risks.

The contract covers the recent sale and lease back of two Boeing 747 aircraft and spare engines. The leverage lease was packaged and managed by the Australian merchant banking group, Chase-NBA Group in association with Gatz Leasing Corporation. The lease is Australian-based with the lessor being Longreach Leasing, a company named after Qantas's birthplace in the Northern Territory. Equity participants in the

agreement are two of the largest local trading banks, the Commonwealth Trading Bank and the National Bank of Australia, and the National Finance company, Custom Credit Corporation. Together they have contributed 17.5 per cent of the funds. The New York bank, Chase Manhattan, arranged the remaining 82.5 per cent. Under the agreement this part of the debt is secured against the aircraft in the following amounts: through the Chase Bank AG DM 31m (US\$17m); through Westdeutsche LB, through Girozentrale DM 60m; through the Amsterdam-Rotterdam Bank Fl 53m (US\$27m); and through Chase Manhattan, \$10m (A\$24m).

The sterling finance is based on UK export financing arranged with the support of the Export Credits Guarantee Department of the UK Government and covers the Rolls-Royce engine part of the deal.

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BANQUE DE PARIS ET DES PAYS-BAS
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Bahrain share issue subscribed 680 times

By Mary Frings in Bahrain

TWO WEEKS of uncertainty over the fate of an Exempt Company share issue, ended yesterday, when Bahrain's Ministry of Commerce allowed the allotment of shares to go ahead, despite an earlier decision to cancel the issue.

Arab International Insurance Company EC (AIIC) offered 2.5m shares at their face value of US\$1 for public subscription, out of an issued capital of \$6m (the authorised capital is \$10m). The allotment is now being made on the basis of 1.47 shares per 1,000 applied for, which indicates that the issue was 680 times oversubscribed, giving a total for application of \$1.7bn.

When the scale of coverage became apparent after the close of the two-week subscription period, the Ministry suspected that applications had been duplicated, and refused to accept the result. But after discussions with the company's founders, who are mainly from Kuwait, the decision was reversed.

Exempt companies are not required to have a controlling Bahraini interest — or any local participation — but enjoy the tax advantages. They may not compete in the local market and Bahraini companies and citizens may not apply for shares on public offer, although they may participate as founders.

Ahmed Hubail, the Director of Commercial and Companies Affairs, said that AIIC applied for offshore public company status before the procedure for the registration of subscribers was tightened up. Copies of nationality certificates were therefore accepted in support of share applications, in accordance with the old rules, even though it has been a well-known practice for copies to be bought and sold to enable investors to apply for several blocks of 10,000 shares (the legal maximum under different names). Last October the registration of public ECs was suspended after the Gulf Investment Company issue was more than 1,000 times oversubscribed. The ban was lifted two months ago.

Mr. Hubail said that for the September Arab Iron and Steel Company issue, which was covered 42 times, applicants were required to register beforehand and to produce original identification documents. The same procedure will apply in the case of the third share float in the present series, for Consolidated Gulf Services and Industry Company, on November 22, and for all future offshore public company issues.

Kanhym profits sharply higher

By Jim Jones in Johannesburg

KANHYM, the diversified South African farming, cattle feedlot, and coal group lifted pre-tax income for the 12 months to September 30 1980 by 132.2 per cent, to R12.55m from R5.31m.

The improvement resulted from better performances by all the company's operations. Favourable weather resulted in better potato, maize and silage crops; feedlot cattle sales increased to 96,000 head from 78,000; and there was a better than average performance from the existing coal mine.

Kanhym also benefited from the exchange of its meat trading interests for a 51 per cent interest in the meat distributor, Karoo Meat Exchange in June.

Although the immediate outlook is tied to existing opera-

tions, and particularly to the expansion of the feedlot operation, due to be completed in 1981, the company's major prospects lie in turning to account extensive coal reserves which are jointly owned with British Petroleum. Full details of Kanhym's participation in the new coal project will be announced early in 1981.

The company, which is changing its year end to December 31 this year, declared a second interim dividend of 32 cents after a first interim of 13 cents. Earnings per share for the twelve months were 120.2 cents against 64.3 cents in the year to end-September 1979. A final dividend for the period to December is to be declared in February. The company expects it to be 10 cents.

Indian Aluminium ahead

By P. C. Mahanti in Calcutta

DESPITE SEVERE power shortages which sharply cut production from all its smelters throughout the final quarter, Indian Aluminium Company, the local offshoot of Alcan Aluminium of Canada, raised annual sales to Rs1.41bn (\$200m) from Rs1.36bn a year earlier.

Pre-tax profit was Rs153.4m, compared with Rs148m, but net profit was slightly lower at Rs65.7m against Rs68.5m because of a higher provision for the investment allowance reserve.

Desalination company for Kuwait

By Leslie de Quillaci in Kuwait

KUWAIT, which for years has been buying from abroad, the expensive sea-water desalination units it depends on for its water supply, is now going into the business itself.

The Kuwait Finance Ministry and four semi-public financial institutions here have recently incorporated the "Kuwait Company for Manufacturing Sea-water Desalination Units", and plan to sign an agreement before the end of the year to buy technology from a foreign company. Among those under consideration for the technology agreement are Japan's IHI, and the UK's Weir Westgarth.

Increased interim at CNA

By Our Johannesburg Correspondent

CNA INVESTMENTS, the South African periodicals, book and audio equipment retailer, increased its pre-tax profit by 28.5 per cent to R1.61m (\$2m) in the six months to August 31 despite deconsolidation of its 60 per cent-owned Zimbabwean subsidiary. This compares with R1.25m in the corresponding period of 1979-80 and R5.16m for the last financial year.

During the period, CNA opened five new retail outlets, the company warns that there is a limit to the productivity improvements which can be achieved within the firm's present structure. It is planned to acquire further properties to handle expected growth. The development programme is extensive and, the board warns, will cause temporary liquidity constraints.

Even so, in a break with policy of the past few years, the interim dividend has been increased to 7.5 cents, from the normal 5 cents. First-half earnings per share were 29.5 cents, against 18.9 cents. Though earnings are expected to rise in the current six months, the directors caution that because of the demand for earnings to be ploughed back for expansion, and without Zimbabwe's contribution, the final dividend may not be increased by a comparable 50 per cent, from last year's 28 cents.

FINANCIAL RAND

Sasol and Golds bring in buyers

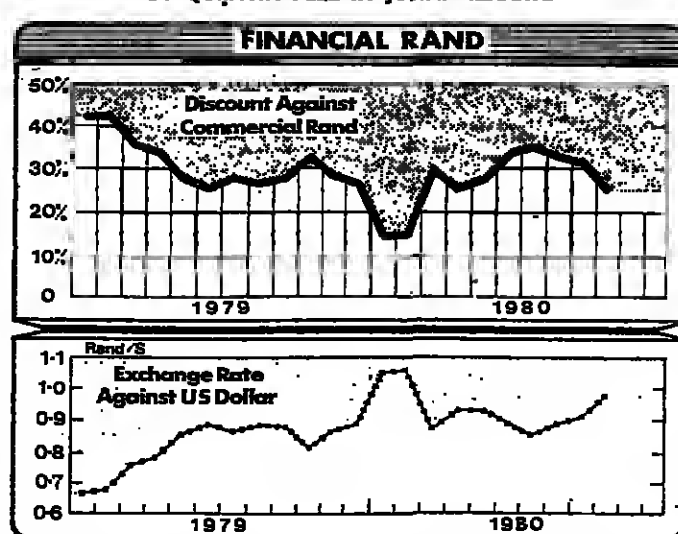
By Quentin Peel in Johannesburg

THE FINANCIAL RAND, South Africa's investment currency for non-residents, has appreciated markedly in recent weeks, and on Tuesday touched parity with the U.S. dollar for the first time since March. The reason is an inflow of funds from foreign investors — especially from Continental Europe — to the Johannesburg Stock Exchange, which has narrowed the discount between the financial Rand and the commercial Rand to just 25 per cent, compared with almost 39 per cent in mid-August.

But dealers believe the recovery of the financial Rand may be relatively short-lived, on the grounds of its being not underpinned by an inflow of foreign funds for investment outside the stock market.

The financial Rand is widely regarded as a barometer of political confidence in South Africa, allowing non-residents to invest both in securities and other forms of productive investment at a discount. Although they have to repatriate capital through the financial Rand market, profits and dividends are payable at the commercial Rand rate.

Three principal reasons account for the latest flurry, according to Johannesburg brokers: Two major rights issues for gold mines—Anglo American's Western Deep Levels, and Rand Mines' East



Rand proprietary Mincos (ERPM): a surge of interest from Paris and Munich in the shares of Sasol, the semi-state-owned oil-from-coal producer; and continuing strong international interest in gold shares, in spite of the wavering in the gold price.

The R80m (\$80m) Western Deep issue closed on October 17, and the ERPM issue—also for R80m, with 40 shares on offer for every 100 held—closes today. Rather more than 50 per cent of ERPM shares are

for financial Rand of some R8m-R9m.

Sasol has been an exception to the rule of the past week, in which foreign investors have moved back strongly into gold shares. Financial Rand have been created at the expense of such blue-chip industrials as Barlow Rand, while non-gold mining shares like De Beers have also been hit by such sales, to make Financial Rand available for the increased demand.

Foreign exchange dealers report that demand for financial Rand for investment outside the stock exchange remains thin. Whereas in 1979, the first year that financial Rand were available for non-securities investments, more than R500m came into the country for that purpose, so far this year, only some R200m has been attracted. Dealers say that although there are a considerable number of applications for financial Rand, they are almost invariably for small sums, of less than R1m.

The buoyant foreign demand for shares has meant that other disinvestments—such as International Telephone and Telegraph's recent sale of its stake in Alitech—can probably be absorbed without increasing the discount widely, but dealers expect some decline in the financial Rand once the effect of recent rights issues has been absorbed.

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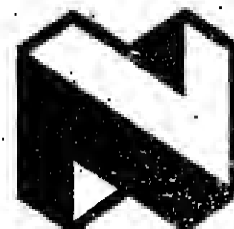
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(Incorporated in the Republic of South Africa)

Profit and Final Dividend

for the year ended 30th September 1980:

Profit
The Group has decided to follow the international banking practice of publishing income before taxation.
The consolidated operating income for the year ended 30th September 1980 before making provision for taxation but after making transfers to internal reserves amounts to: R100 200 000, an increase of 38.5%. The net operating income after taxation and minorities is R67 400 000, an increase of 42.1%. These figures are subject to final audit.

| | 1980 | 1979 |
|---|-------------|------------|
| Operating income after transfers to internal reserves | 100 179 000 | 72 334 000 |
| Less: Taxation | 30 917 000 | 23 204 000 |
| Taxed income | 69 262 000 | 49 130 000 |
| Less: Outside shareholders' interest in the profits of subsidiaries | 1 907 000 | 1 727 000 |
| Operating income for the year attributable to shareholders of the Nedbank Group | 67 355 000 | 47 393 000 |
| Surplus on the sale of long-term investments | 7 366 000 | — |
| Fully paid shares in issue | 88 203 523 | 87 475 497 |
| Earnings per share | 76.4 | 54.2 |
| Dividends—paid and proposed—per share | 38.0 | 27.0 |

Nedbank is the first banking group in South Africa to exceed the R100 million profit mark.
The taxed operating income has increased the return on group shareholders' funds from 21.1% to 25.3%.
The Group maintains its policy of a twice covered dividend. The surplus capital position of the Group after dividend payments is in excess of R50 million, which will enable the banking companies in the Group to pursue a policy of vigorous growth. Total assets increased by 24% to R4 600 000 000. Extraordinary profits on the sale of long-term investments amounting to R7 366 000 were also transferred to reserves.
F J C Cronje (Chairman)

Final dividend
A final dividend of 27 cents per share is proposed which, together with the interim dividend of 11.0 cents per share, makes a total dividend for the year ended 30th September 1980 of 38 cents per share.
The final dividend will be payable to shareholders of the Company registered at the close of business on 19th December 1980. Dividend warrants will be posted out or about 14th January 1981. The transfer registers of the company will be closed from 20th December 1980 to 27th December 1980, both days inclusive.
The Annual General Meeting of Shareholders will be held in Johannesburg on 2nd December 1980, and the Annual Report will be posted to shareholders on 10th November 1980.

D A Peterson
Secretary

Registered Office:
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2001

P.O. Box 1144
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21st October 1980

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THE PROPERTY MARKET BY MICHAEL CASSELL

Bredero scheme upset

LONDON TRANSPORT'S plans to jointly develop with Dutch group Bredero a £70m office and transport complex at Hammersmith Broadway were thrown into confusion this week with the publication of an inquiry inspector's report criticising the scheme.

A year ago, LT announced that it was joining forces with Bredero, which is building up its UK operations, to redevelop the six-acre site adjoining Hammersmith Flyover and currently used as a bus terminus.

Plans include the provision of 700,000 sq ft of office space, a new garage and transport complex and community facilities. But it is the local community which appears to have thrown up an effective barrier in the works and left Hammersmith and Fulham Council, LT and Bredero in something of an awkward position.

A public inquiry held in the summer to examine the Hammersmith district plan was told of the proposals for the Broadway, the last major site in the area to be redeveloped. But while the scheme had the approval of the council, local residents complained vociferously and at great length that the development would mean there was over 3m sq ft of office space in the town centre, which would become a lifeless area dominated by daytime commercial activities.

The protesters, who formed themselves into a pressure group by the name of People before Profit and included such local luminaries as Dr. Magnus Pyke and actor Tom Baker, said they wanted a more balanced development which included housing, community amenities and improved accessibility for pedestrians.

For LT, the attraction of the plan was to give consent for a scheme on its land which would finance the proposed bus garage and transport interchange involving the railway system. Bredero was to provide finance and project management.

The Inspector went away to consider the whole question of the district plan but by August Hammersmith council had already decided to give outline planning consent to the LT scheme.

This week, however, the Inspector's report landed on a desk in the council's King Street headquarters and the references to the Broadway scheme did not make happy reading. The Inspector recommended a "significant reduction in the office content and scale of development" to avoid the creation of an over-dominant building mass. He also called for the inclusion of housing for childless couples and young people, in order to give the type of "living presence" asked for by the protest group.

In a parting shot, the Inspector suggested that in any case a bus garage might be better sited on the fringe of a town centre and mused over the thought that the plans had been based in some respects on what was best for LT rather than for Hammersmith.

Heads went down at King Street and a spokesman emerged to say that while the council was under no obligation to

accept the inspector's arguments, they would be considered—most likely at a special meeting to be arranged without delay.

On Wednesday, the central area planning committee of the Greater London Council met to consider the Hammersmith scheme and, although the contents of the Inspector's report were used by the Opposition in an attempt to get any decision deferred, the GLC gave its approval to the plans. A spokesman commented:

So Hammersmith can ignore the Inspector's suggestions and steamroller on or it can make and publish proposed modifications to the Broadway scheme, though these will clearly have to be substantial to meet all his objections.

Mr. Harold Imanuel, one of the forces behind People before Profit, was naturally delighted at the week's developments. "We are very pleased, though the matter is far from concluded and we are taking counsel's advice with a view to obtaining a High Court injunction to restrain the council from taking any further action with regard to the Broadway development until the district plan has been adopted."

LT would only say that it was studying the contents of the Inspector's report and it will clearly have some hard thinking to do with partners Bredero and the council. Whatever the outcome, a start on development stretches ahead into an increasingly more costly future and there is always the chance of a public inquiry as well.

Investment activity still increasing

INSTITUTIONAL investment in UK property is striding ahead, if the latest set of government figures on the subject are to be believed.

According to the Central Statistical Office, pension funds and insurance companies together put £791m into land and property during the first half of 1980 against £494m in the same period last year.

During the whole of 1979, institutional investment in the UK property sector reached around £1.3bn but if the trend established in the first half of 1980 has been repeated in the second half, then that total will be left a long way behind.

The figures are boosted by inflation but a 60 per cent jump in investment cannot be accounted for quite so easily and the implication must be that, despite the growing problems involved in finding suitable purchases, the pension funds and insurance companies are still pursuing property in a big way.

Earlier statistics had shown that pension funds pushed more money into property in the first three months of 1980—a total of £199m—than in any quarter since early 1978. But a revision to this figure now shows that the pension funds actually invested £237m in this way during the January-March period.

In the second quarter, pension fund investment declined to £189m but the combined first-half total of £426m compared

well with the £259m recorded for the same period last year.

As for the insurance companies, they pushed up investment during the second quarter of this year to £189m against £176m in the first three months. The six-month total of £365m compares with £235m for the first half of 1979.

Property unit trusts, however, invested only £33m in UK property during the first half of this year, a fall of £9m from the comparable period of 1979.

So property remains firmly in fashion and the institutions remain intent upon pushing up the property content of their portfolios, whatever the short-term characteristics of the market.

This week the Henley Centre for Forecasting said that it did not expect any fall to average capital values for institutional property over the next 18 months, despite the severity of the present recession. It seems a lot of people with a lot of money tend to feel the same way.

MEPC have completed the refurbishment of 17,000 sq ft of space at 1, Great Cumberland St., W1 which has been let to British Gas and Michael Freeman, solicitors. Joint agents Leighton Goldhill and Mellish and Harding negotiated rents ranging from £13.50 a sq ft to £15. Later lettings have been arranged via Leighton Goldhill at rents of around £16.50 a sq ft.

IN BRIEF
Two new schemes in Croydon

● **PROPERTY Growth Assurance and British Rail Pension Fund** are to develop a £12m office scheme adjacent to Fairfield Halls, Croydon. Property Growth expects to invest about £2m in the 135,000 sq ft scheme, with the remainder being secured from British Rail at a prime rate of only 5 per cent. Completion is expected in about two years and Property Growth's property fund expects "a substantial profit."

● **Still in Croydon**, Norwich Union is to develop a £9m office scheme on the corner of George St. and College Rd., opposite East Croydon station. Work on the 55,000 sq ft scheme is expected to start next year with completion in 1982.

● **North British Properties** are to develop a £2m office scheme in Dundas St., Edinburgh. The 25,000 sq ft office block should be completed in 1982. James Lang Wootton and Kenneth Ryden are retained letting agents.

● **Acting on behalf of Loxor**, Anthony Lipton has negotiated the surrender of leases held on 7-9 St Martin's Place, Trafalgar Square and let the entire 35,000 sq ft building to Shell UK at a rent of £535,000 a year.

Rodamco prepares for quotation

THE TOP BRASS of Rodamco, the property investment arm of Holland's £3bn Robeco fund management group, marched into London this week to search for new investors and to prepare the ground for an ultimate Stock Exchange listing.

The assault on London comes 18 months after Rodamco shares were first offered to the public and follows the arrangement of quotations for the company in Amsterdam, Antwerp, Brussels and Paris. The UK, West Germany and Luxembourg appear to be next in line and a market is already made in the shares in London.

The Dutch operation has been busy and now has an international investment portfolio valued at over £130m, with properties located in Holland, the U.S., West Germany, Belgium and France. At the end of September, net assets stood at nearly £100m.

At present, it holds an 85 per cent stake in European Property Investment (Enpic), built up from only 20 per cent since the start of its last financial year. Efforts are being made to secure total ownership, which will help increase its European investment spread. There will, however, be "no early resolution" to the situation, according to Rodamco.

The one thing which Rodamco managing director Willem Engelberts and his colleagues are not looking for in London is property. "We have studied the market here closely and

while it is our intention to have British property in our portfolio, the time for investment is certainly not right."

Rodamco blames the strength of sterling and low yields for its reluctance to become involved although at the same time it acknowledges that recent activities have not left it exactly fat with cash for purchase purposes.

But if, for the time being, Rodamco is not keen on buying in the UK, it believes it at least has something to offer for those potential British investors who may feel the same way.

The company's portfolio is well spread and tends to be in areas where prime investment yields are at least traditionally higher than in the UK. Property interests (invariably done via shareholdings rather than direct ownership) are centred on shops and offices and Rodamco is unusual among larger property investment companies and trusts in that 39 per cent of its assets are in retail schemes, which have in recent years achieved above average rental growth.

As for the UK, Rodamco's offer of a slice of international real estate may prove attractive to individual investors or smaller pension funds. In its first year, the fund achieved a net return on assets of about 51 per cent although unfortunately the share price (calculated daily on a net asset per share basis) fell in sterling terms.

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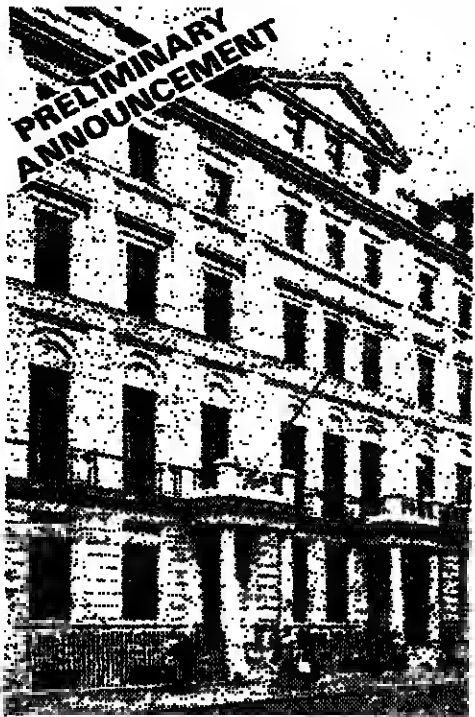
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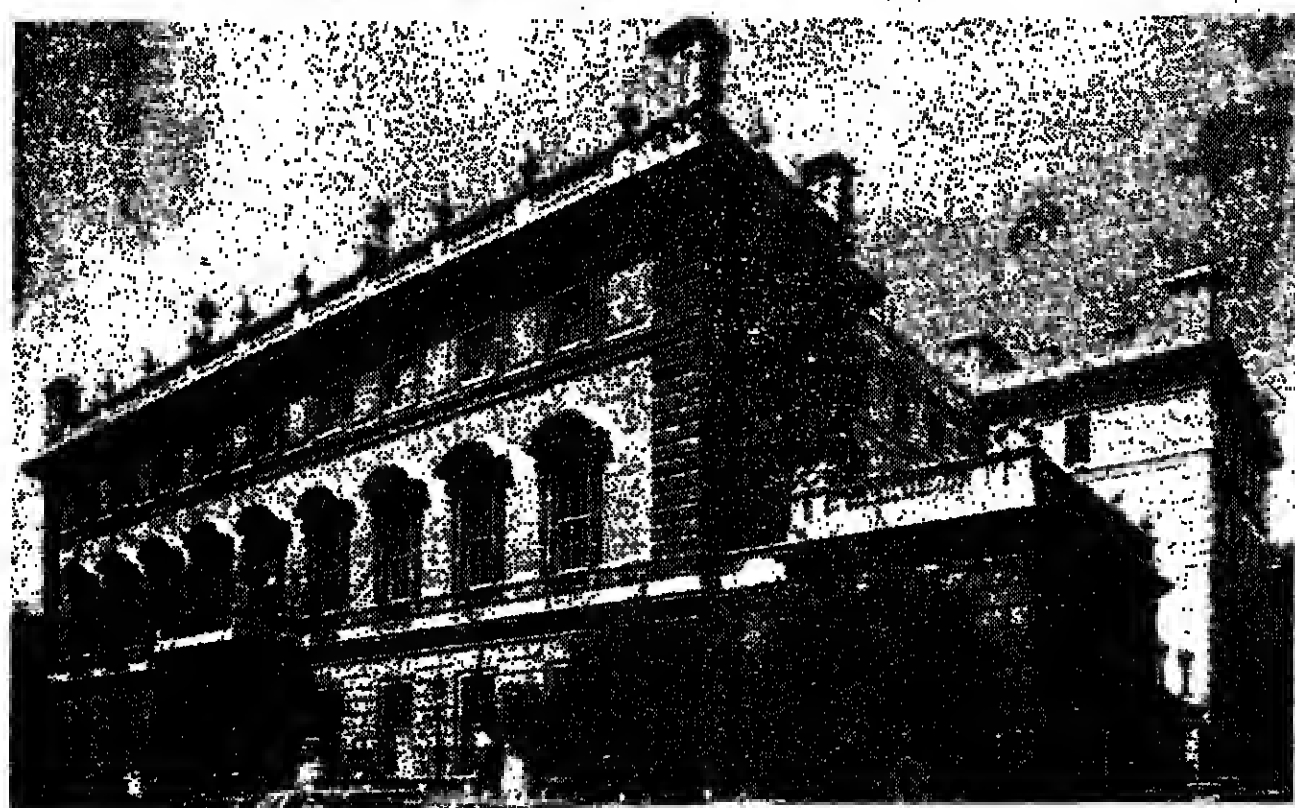
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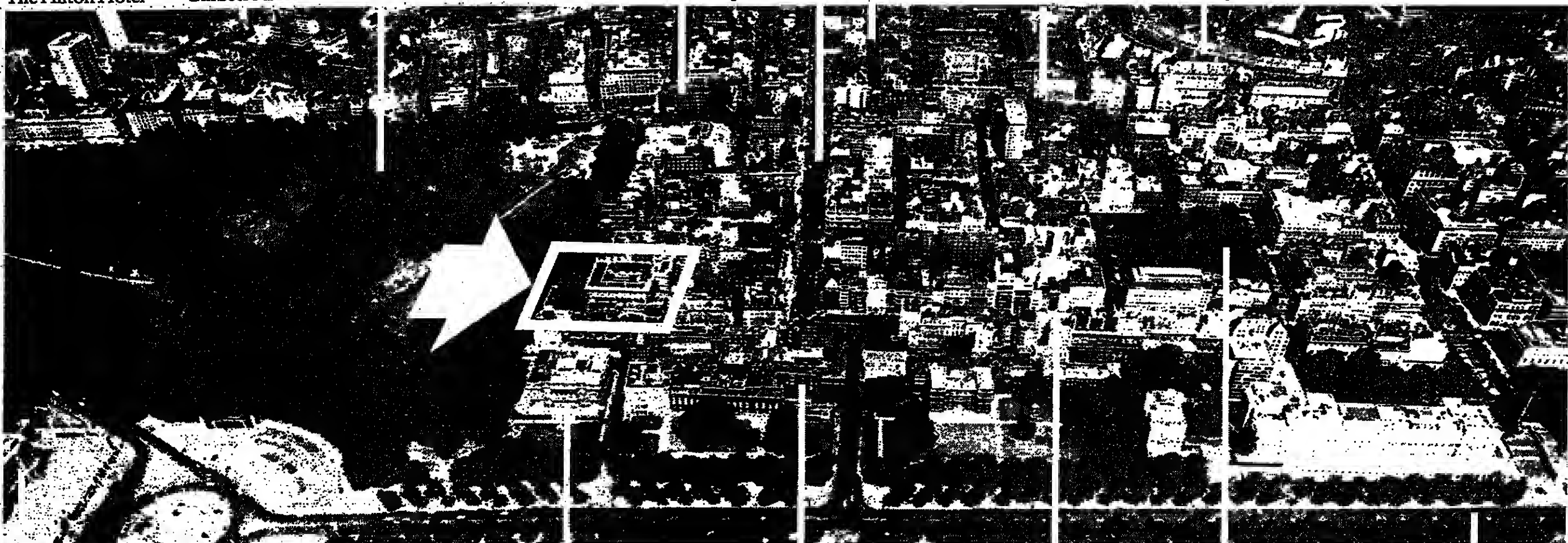
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Turnover in excess of £2m and profits in excess of £1m
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Kennedy Tower, St. Charles
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For Sale
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Freehold Approx. 6,000 sq. ft.
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FOR SALE
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BOND DRAWINGS

INDUSTRIAL DEVELOPMENT BANK OF ISRAEL LTD.

7% Guaranteed Loan 1982

S. G. WARBURG & CO. LTD., announce that Bonds for the nominal value of U.S.\$1,350,000 have been drawn in the presence of a Notary Public for the ninth redemption instalment due on 28th November, 1980.

The serial numbers of the Bonds drawn are as follows:—

| | | | | | | | | | |
|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 116 | 126 | 26 | 29 | 40 | 51 | 62 | 73 | 93 | 104 |
| 228 | 229 | 240 | 251 | 262 | 273 | 283 | 293 | 304 | 315 |
| 328 | 340 | 351 | 362 | 373 | 383 | 394 | 404 | 415 | 426 |
| 440 | 451 | 462 | 473 | 483 | 494 | 505 | 515 | 526 | 537 |
| 551 | 562 | 573 | 583 | 594 | 605 | 615 | 626 | 637 | 648 |
| 662 | 673 | 683 | 694 | 705 | 716 | 726 | 737 | 748 | 759 |
| 773 | 783 | 794 | 805 | 816 | 826 | 837 | 848 | 859 | 870 |
| 883 | 904 | 915 | 926 | 937 | 948 | 959 | 970 | 981 | 992 |
| 1004 | 1015 | 1026 | 1037 | 1048 | 1059 | 1070 | 1081 | 1092 | 1103 |
| 1116 | 1126 | 1137 | 1148 | 1159 | 1170 | 1181 | 1192 | 1203 | 1214 |
| 1226 | 1236 | 1246 | 1257 | 1268 | 1279 | 1290 | 1301 | 1312 | 1323 |
| 1340 | 1351 | 1362 | 1373 | 1384 | 1395 | 1406 | 1417 | 1428 | 1439 |
| 1451 | 1462 | 1473 | 1484 | 1495 | 1506 | 1517 | 1528 | 1539 | 1550 |
| 1561 | 1572 | 1583 | 1594 | 1605 | 1616 | 1627 | 1638 | 1649 | 1660 |
| 1673 | 1684 | 1695 | 1706 | 1717 | 1728 | 1739 | 1750 | 1761 | 1772 |
| 1783 | 1794 | 1805 | 1816 | 1827 | 1838 | 1849 | 1860 | 1871 | 1882 |
| 1893 | 1904 | 1915 | 1926 | 1937 | 1948 | 1959 | 1970 | 1981 | 1992 |
| 2004 | 2015 | 2026 | 2037 | 2048 | 2059 | 2070 | 2081 | 2092 | 2103 |
| 2116 | 2127 | 2138 | 2149 | 2160 | 2171 | 2182 | 2193 | 2204 | 2215 |
| 2226 | 2237 | 2248 | 2259 | 2270 | 2281 | 2292 | 2303 | 2314 | 2325 |
| 2336 | 2347 | 2358 | 2369 | 2380 | 2391 | 2402 | 2413 | 2424 | 2435 |
| 2446 | 2457 | 2468 | 2479 | 2490 | 2501 | 2512 | 2523 | 2534 | 2545 |
| 2556 | 2567 | 2578 | 2589 | 2600 | 2611 | 2622 | 2633 | 2644 | 2655 |
| 2666 | 2677 | 2688 | 2699 | 2710 | 2721 | 2732 | 2743 | 2754 | 2765 |
| 2776 | 2787 | 2798 | 2809 | 2820 | 2831 | 2842 | 2853 | 2864 | 2875 |
| 2886 | 2897 | 2908 | 2919 | 2930 | 2941 | 2952 | 2963 | 2974 | 2985 |
| 2996 | 3007 | 3018 | 3029 | 3040 | 3051 | 3062 | 3073 | 3084 | 3095 |
| 3106 | 3117 | 3128 | 3139 | 3150 | 3161 | 3172 | 3183 | 3194 | 3205 |
| 3216 | 3227 | 3238 | 3249 | 3260 | 3271 | 3282 | 3293 | 3304 | 3315 |
| 3326 | 3337 | 3348 | 3359 | 3370 | 3381 | 3392 | 3403 | 3414 | 3425 |
| 3436 | 3447 | 3458 | 3469 | 3480 | 3491 | 3502 | 3513 | 3524 | 3535 |
| 3546 | 3557 | 3568 | 3579 | 3590 | 3601 | 3612 | 3623 | 3634 | 3645 |
| 3656 | 3667 | 3678 | 3689 | 3700 | 3711 | 3722 | 3733 | 3744 | 3755 |
| 3766 | 3777 | 3788 | 3799 | 3810 | 3821 | 3832 | 3843 | 3854 | 3865 |
| 3876 | 3887 | 3898 | 3909 | 3920 | 3931 | 3942 | 3953 | 3964 | 3975 |
| 3986 | 3997 | 4008 | 4019 | 4030 | 4041 | 4052 | 4063 | 4074 | 4085 |
| 4096 | 4107 | 4118 | 4129 | 4140 | 4151 | 4162 | 4173 | 4184 | 4195 |
| 4206 | 4217 | 4228 | 4239 | 4250 | 4261 | 4272 | 4283 | 4294 | 4305 |
| 4316 | 4327 | 4338 | 4349 | 4360 | 4371 | 4382 | 4393 | 4404 | 4415 |
| 4426 | 4437 | 4448 | 4459 | 4470 | 4481 | 4492 | 4503 | 4514 | 4525 |
| 4536 | 4547 | 4558 | 4569 | 4580 | 4591 | 4602 | 4613 | 4624 | 4635 |
| 4646 | 4657 | 4668 | 4679 | 4690 | 4701 | 4712 | 4723 | 4734 | 4745 |
| 4756 | 4767 | 4778 | 4789 | 4800 | 4811 | 4822 | 4833 | 4844 | 4855 |
| 4866 | 4877 | 4888 | 4899 | 4910 | 4921 | 4932 | 4943 | 4954 | 4965 |
| 4976 | 4987 | 4998 | 5009 | 5020 | 5031 | 5042 | 5053 | 5064 | 5075 |
| 5086 | 5097 | 5108 | 5119 | 5130 | 5141 | 5152 | 5163 | 5174 | 5185 |
| 5196 | 5207 | 5218 | 5229 | 5240 | 5251 | 5262 | 5273 | 5284 | 5295 |
| 5306 | 5317 | 5328 | 5339 | 5350 | 5361 | 5372 | 5383 | 5394 | 5405 |
| 5416 | 5427 | 5438 | 5449 | 5460 | 5471 | 5482 | 5493 | 5504 | 5515 |
| 5526 | 5537 | 5548 | 5559 | 5570 | 5581 | 5592 | 5603 | 5614 | 5625 |
| 5636 | 5647 | 5658 | 5669 | 5680 | 5691 | 5702 | 5713 | 5724 | 5735 |
| 5746 | 5757 | 5768 | 5779 | 5790 | 5801 | 5812 | 5823 | 5834 | 5845 |
| 5856 | 5867 | 5878 | 5889 | 5900 | 5911 | 5922 | 5933 | 5944 | 5955 |
| 5966 | 5977 | 5988 | 5999 | 6010 | 6021 | 6032 | 6043 | 6054 | 6065 |
| 6076 | 6087 | 6098 | 6109 | 6120 | 6131 | 6142 | 6153 | 6164 | 6175 |
| 6186 | 6197 | 6208 | 6219 | 6230 | 6241 | 6252 | 6263 | 6274 | 6285 |
| 6296 | 6307 | 6318 | 6329 | 6340 | 6351 | 6362 | 6373 | 6384 | 6395 |
| 6406 | 6417 | 6428 | 6439 | 6450 | 6461 | 6472 | 6483 | 6494 | 6505 |
| 6516 | 6527 | 6538 | 6549 | 6560 | 6571 | 6582 | 6593 | 6604 | 6615 |
| 6626 | 6637 | 6648 | 6659 | 6670 | 6681 | 6692 | 6703 | 6714 | 6725 |
| 6736 | 6747 | 6758 | 6769 | 6780 | 6791 | 6802 | 6813 | 6824 | 6835 |
| 6846 | 6857 | 6868 | 6879 | 6890 | 6901 | 6912 | 6923 | 6934 | 6945 |
| 6956 | 6967 | 6978 | 6989 | 7000 | 7011 | 7022 | 7033 | 7044 | 7055 |
| 7066 | 7077 | 7088 | 7099 | 7110 | 7121 | 7132 | 7143 | 7154 | 7165 |
| 7176 | 7187 | 7198 | 7209 | 7220 | 7231 | 7242 | 7253 | 7264 | 7275 |
| 7286 | 7297 | 7308 | 7319 | 7330 | 7341 | 7352 | 7363 | 7374 | 7385 |
| 7396 | 7407 | 7418 | 7429 | 7440 | 7451 | 7462 | 7473 | 7484 | 7495 |
| 7506 | 7517 | 7528 | 7539 | 7550 | 7561 | 7572 | 7583 | 7594 | 7605 |
| 7616 | 7627 | 7638 | 7649 | 7660 | 7671 | 7682 | 7693 | 7704 | 7715 |
| 7726 | 7737 | 7748 | 7759 | 7770 | 7781 | 7792 | 7803 | 7814 | 7825 |
| 7836 | 7847 | 7858 | 7869 | 7880 | 7891 | 7902 | 7913 | 7924 | 7935 |
| 7946 | 7957 | 7968 | 7979 | 7990 | 8001 | 8012 | 8023 | 8034 | 8045 |
| 8056 | 8067 | 8078 | 8089 | 8100 | 8111 | 8122 | 8133 | 8144 | 8155 |
| 8166 | 8177 | 8188 | 8199 | 8210 | 8221 | 8232 | 8243 | 8254 | 8265 |
| 8276 | 8287 | 8298 | 8309 | 8320 | 8331 | 8342 | 8353 | 8364 | 8375 |
| 8386 | 8397 | 8408 | 8419 | 8430 | 8441 | 8452 | 8463 | 8474 | 8485 |
| 8496 | 8507 | 8518 | 8529 | 8540 | 8551 | 8562 | 8573 | 8584 | 8595 |
| 8606 | 8617 | 8628 | 8639 | 8650 | 8661 | 8672 | 8683 | 8694 | 8705 |
| 8716 | 8727 | 8738 | 8749 | 8760 | 8771 | 8782 | 8793 | 8804 | 8815 |
| 8826 | 8837 | 8848 | 8859 | 8870 | 8881 | 8892 | 8903 | 8914 | 8925 |
| 8936 | 8947 | 8958 | 8969 | 8980 | 8991 | 9002 | 9013 | 9024 | 9035 |
| 9046 | 9057 | 9068 | 9079 | 9090 | 9101 | 9112 | 9123 | 9134 | 9145 |
| 9156 | 9167 | 9178 | 9189 | 9200 | 9211 | 9222 | 9233 | 9244 | 9255 |
| 9266 | 9277 | 9288 | 9299 | 9310 | 9321 | 9332 | 9343 | 9354 | 9365 |
| 9376 | 9387 | 9398 | 9409 | 9420 | 9431 | 9442 | 9453 | 9464 | 9475 |
| 9486 | 9497 | 9508 | 9519 | 9530 | 9541 | 9552 | 9563 | 9574 | 9585 |
| 9596 | 9607 | 9618 | 9629 | 9640 | 9651 | 9662 | 9673 | 9684 | 9695 |
| 9706 | 9717 | 9728 | 9739 | 9750 | 9761 | 9772 | 9783 | 9794 | 9805 |
| 9816 | 9827 | 9838 | 9849 | 9860 | 9871 | 9882 | 9893 | 9904 | 9915 |
| 9926 | 9937 | 9948 | 9959 | 9970 | 9981 | 9992 | 10003 | 10014 | 10025 |
| 10036 | 10047 | 10058 | 10069 | 10080 | 10091 | 10102 | 10113 | 10124 | 10135 |
| 10146 | 10157 | 10168 | 10179 | 10190 | 10201 | 10212 | 10223 | 10234 | 10245 |
| 10256 | 10267 | 10278 | 10289 | 10300 | 10311 | 10322 | 10333 | 10344 | 10355 |
| 10366 | 10377 | 10388 | 10399 | 10410 | 10421 | 10432 | 10443 | 10454 | 10465 |
| 10476 | 10487 | 10498 | 10509 | 10520 | 10531 | 10542 | 10553 | 10564 | 10575 |
| 10586 | 10597 | 10608 | 10619 | 10630 | 10641 | 10652 | 10663 | 10674 | 10685 |
| 10696 | 10707 | 10718 | 10729 | 10740 | 10751 | 10762 | 10773 | 10784 | 10795 |
| 10806 | 10817 | 10828 | 10839 | 10850 | 10861 | 10872 | 10883 | 10894 | 10905 |
| 10916 | 10927 | 10938 | 10949 | 10960 | 10971 | 10982 | 10993 | 11004 | 11015 |
| 11026 | 11037 | 11048 | 11059 | 11070 | 11081 | 11092 | 11103 | 11114 | 11125 |
| 11136 | 11147 | 11158 | 11169 | 11180 | 11191 | 11202 | 11213 | 11224 | 11235 |
| 11246 | 11257 | 11268 | 11279 | 11290 | 11301 | 11312 | 11323 | 11334 | 11345 |
| 11356 | 11367 | 11378 | 11389 | 11400 | 11411 | 11422 | 11433 | 11444 | 11455 |
| 11466 | 11477 | 11488 | 11499 | 11510 | 11521 | 11532 | 11543 | 11554 | 11565 |
| 11576 | 11587 | 11598 | 11609 | 11620 | 11631 | 11642 | 11653 | 11664 | 11675 |
| 11686 | 11697 | 11708 | 11719 | 11730 | 11741 | 11752 | 11763 | 11774 | 11785 |
| 11796 | 11807 | 11818 | 11829 | 11840 | 11851 | 11862 | 11873 | 11884 | 11895 |
| 11906 | 11917 | 11928 | 11939 | 11950 | 11961 | 11972 | 11983 | 11994 | 12005 |
| 12016 | 12027 | 12038 | 12049 | 12060 | 12071 | 12082 | 12093 | 12104 | 12115 |
| 12126 | 12137 | 12148 | 12159 | 12170 | 12181 | 12192 | 12203 | 12214 | 12225 |
| 12236 | 12247 | 12258 | 12269 | 12280 | 12291 | 12302 | 12313 | 12324 | 12335 |
| 12346 | 12357 | 12368 | 12379 | 12390 | 12401 | 12412 | 12423 | 12434 | 12445 |
| 12456 | 12467 | 12478 | 12489 | 12500 | 12511 | 12522 | 12533 | 12544 | 12555 |
| 12566 | 12577 | 12588 | 12599 | 12610 | 12621 | 12632 | 12643 | 12654 | 12665 |
| 12676 | 12687 | 12698 | 12709 | 12720 | 12731 | 12742 | 12753 | 12764 | 12775 |
| 12786 | 12797 | 12808 | 12819 | 12830 | 12841 | 12852 | 12863 | 12874 | 12885 |
| 12896 | 12907 | 12918 | 12929 | 12940 | 12951 | 12962 | 12973 | 12984 | 12995 |
| 13006 | 13017 | 13028 | 13039 | 13050 | 13061 | 13072 | 13083 | 13094 | 13105 |
| 13116 | 13127 | 13138 | 13149 | 13160 | 13171 | 13182 | 13193 | 13204 | 13215 |
| 13226 | 13237 | 13248 | 13259 | 13270 | 13281 | 13292 | 13303 | 13314 | 13325 |
| 13336 | 13347 | 13358 | 13369 | 13380 | 13391 | 13402 | 13413 | 13424 | 13435 |
| 13446 | 13457 | 13468 | 13479 | 13490 | 13501 | 13512 | 13523 | 13534 | 13545 |
| 13556 | 13567 | 13578 | 13589 | 13600 | 13611 | 13622 | 13633 | 13644 | 13655 |
| 13666 | 13677 | 13688 | 13699 | 13710 | 13721 | 13732 | 13743 | 13754 | 13765 |
| 13776 | 13787 | 13798 | 13809 | 13820 | 13831 | 13842 | 13853 | | |

Companies and Markets

WORLD STOCK MARKETS

Oils lead early Wall St. fall

FURTHER WEAKNESS in Oil and Gas issues highlighted a general decline on Wall Street in another fairly active early trade yesterday.

Analysts said with interest rates expected to go higher and the outcome of the presidential election hanging in the balance, there was little to stimulate buying.

Meanwhile, the surprise Canadian proposal to take up to a 50 per cent stake in oil and gas production and buy some companies outright continued to trigger selling of Oil and Gas issues, a group that has been a market mainstay for months.

The Dow Jones Industrial Average was 3.75 lower at 925.43 at 1 pm, while the NYSE All Company Index lost 27 cents at 573.33 and falls led shares by a two-to-one margin. Volume amounted to 25.81m at 1 pm on Wednesday.

Snapped 44 to 548. It said the Suez Canal would be severely hurt by the Canadian proposal. Canadian Pacific fell 34 to 539 and Canadian Pacific Enterprises 11 to 523. Drilling companies also lost ground. Reading dropped 12 to 131.30 and Zapata 11 to 554.

Johnson and Johnson surged 4 to 88.12. It has received Food and Drug Administration approval to sell a new prescription pain killer.

THE AMERICAN SE Market Value Index retreated 6.42 more to 337.99 at 1 pm on volume of 6.07m shares (4.33m).

Canada LED BY the Energy sector, markets fell sharply over a broad front yesterday morning in very active trading.

Initial reaction to the Federal energy plans adversely affected only the Oil and Gas sector on Wednesday, but yesterday every

Closing prices for North America were not available for this edition.

area of the market joined the decline.

The Toronto Composite index fell 65.9 to 2,335.5 at noon, while the Oil and Gas index dipped 297.0 to 4,345.5. Golds 224.9 to 5,491.4. Metals and Minerals 48.8 to 2,333.4 and Utilities 10.17 to 268.76.

Dome Petroleum dropped C\$7 to C\$29.10 while Dome Mines, a major shareholder, fell C\$9 to C\$128.10.

Waddesday's good market recovery was extended yesterday as investors sought Blue Chips, especially in the groups of Light Electricals and Precision Machinery Makers. Large-capital shares rebounded for the first time in several sessions with the Dow Jones Industrial Average up 1.15 to 926.58, but with the buying concentrated in selective issues, declines on the first foreign purchases.

Volume came in 320m shares (350m).

Matyschik Electric, still buoyed by the good third-quarter results, climbed 1/2 to 12.12.50. Elsewhere among Light Electricals, Sony rose 7/8 to 13.10 and TDK Electronic 1/4 to 13.20.

Honda Motor advanced 1/4 to 12.12.50. Canon 1/4 to 12.12.50. Hitachi 1/4 to 12.12.50. Toshiba 1/4 to 12.12.50.

Stock prices showed renewed buoyancy and several brokers expressed amazement over the "unbelievable" extent of the market surge.

Buying, as a refugia investment against mounting inflation was the major factor attracting new investors and large capital.

Brokers said.

Australia Stocks emerged from the doldrums of the past week in a modest local buying surge which pushed up most major Mining and Energy issues, with Gold shares climbing following a rise in world Bullion prices overnight. The Sydney All Ordinaries index rose 8.21 to 1,013.73 and the Metals and Minerals sub-group index 98.27 to 6,879.73.

The Oil sector, which has

attracted some demand over the past two days while other sectors of the market lacked interest, moved broadly higher yesterday.

Ampl Petroleum rose 13 cents to A\$1.80 on hopes that Pioneer Concrete, up 2 cents at A\$2.82, would raise 10c offer from A\$1.70 per Ampl share.

Woodside Petroleum put on 10 cents to A\$3.50 and Cliff Oil 6 cents to 54 cents. Amadeus Basin explorers mostly moved higher, with Magellan adding 5 cents to A\$1.50 and Oilino 5 cents to A\$4.05, but Phidras recorded 15 cents to A\$1.20.

Among Oil Shales, Central Pacific gained 40 cents to A\$10.30, Southern Pacific 20 cents to A\$3.95, Esperanza 30 cents to A\$4.50, Greenvale 25 cents to A\$4.30 and Pan D'Ore 35 cents to A\$3.50.

Among speculative Gold issues, Kitchener rose 80 cents to A\$5.00, Metals 65 cents to A\$2.50, Southern Gold 40 cents to A\$2.75 and Cliffmore 10 cents to A\$1.35.

MTM advanced 20 cents to A\$5.80 after news that it had bought the controlling interest in the A\$500m Oak Creek coal project. Coal concern Oakbridge were 35 cents up at A\$4.65.

Germany Shares remained colorless to light trading with continued weakness and expectations of a US rate increase keeping sentiment depressed.

Public Authority Loans were as much as 50 pfennigs lower, with the Bundesbank purchasing a further DM 61.8m nominal of stock.

Johnneshaus Gold shares closed higher on the Bullion price rise, with moderate overseas interest noted during fairly active trading.

Western Aves gained 25 cents to R12.95 after news that an underground fire seemed to have been extinguished.

| CANADA | | | BELGIUM (continued) | | | HOLLAND | | | AUSTRALIA | | | JAPAN (continued) | | |
|--------------|---------|---------|---------------------|-------|--------|-------------|-------|--------|-----------------|-------|--------|-------------------|-------|--------|
| Stock | Oct. 29 | Oct. 28 | Oct. 30 | Price | + or - | Oct. 30 | Price | + or - | Oct. 30 | Price | + or - | Oct. 30 | Price | + or - |
| Abn-Amro | 22.1 | 22.1 | 22.1 | 22.1 | 0.0 | ACF Holding | 71.9 | +1.4 | ANZ Group | 4.55 | | Kubota | 390 | -8 |
| Agnico Eagle | 22.1 | 19.4 | 22.1 | 4,900 | -120 | ACH | 97.5 | +0.5 | Arcor Aust. | 1.03 | | Kumagai | 397 | -10 |
| Alcan | 35.1 | 35.1 | 35.1 | 4,900 | -120 | ACH | 97.5 | +0.5 | Alkatek Expl. | 2.95 | -0.97 | Kyoto Ceramic | 3,380 | +10 |
| Algoma Steel | 40 | 39.1 | 39.1 | 1,128 | -6 | AMC | 291.5 | +1.6 | Aluma-Pulp Pap. | 0.85 | | Meadia Cons. | 599 | -4 |
| Albion | 30.4 | 30.4 | 30.4 | 2,940 | -50 | AMRO | 62.9 | +0.3 | Audimco | 1.29 | +0.81 | Makita | 1,000 | +20 |
| Algonquin | 30.4 | 30.4 | 30.4 | 9,900 | -15 | ASB | 185.3 | +2.1 | Aust. Guarant. | 1.49 | +0.02 | Matsuda | 606 | -5 |
| Algonquin | 30.4 | 30.4 | 30.4 | 9,900 | -15 | ASB | 185.3 | +2.1 | Aust. Ind. Mfg. | 2.78 | | Marui | 835 | -5 |
| Algonquin | 30.4 | 30.4 | 30.4 | 9,900 | -15 | ASB | 185.3 | +2.1 | Aust. Ind. Mfg. | 2.78 | | Marui | 835 | -5 |
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Sri Lanka to allow tea imports

By Maryn de Silva in Colombo

SRI LANKA, the second biggest tea producer in the world, has decided to allow duty-free imports of tea for purposes of blending, packaging and sale as tea bags.

Announcing this yesterday and shipping minister Lalith Athipaththi said that Sri Lanka had shipped down duty-free tea in the international tea trade. Only 10 per cent of its exports which still form the country's top foreign exchange earner consists of tea in packets and bags.

He identified three causes for Sri Lanka's failure to maintain its position in the tea business — new consumer tastes, the advent of new centres of blending and packaging (Hamburg, Rotterdam and Singapore) and aggressive marketing methods. The loss of the profit and value-added benefits, did not accrue to the producer but were being appropriated by blenders, packers and other intermediary processing agents, he said.

Sri Lanka's main disadvantage was the absence of certain "filler" tea of varying grades and qualities, required to meet the special consumer demands of some markets. Such teas were not locally grown. Further, the island did not produce sufficient quick brew tea essential for blending.

Meanwhile both the Tea Traders Association and the Tea Board have warned the Government of other dangers facing the tea industry. Nationalisation of estates, land reform and the exodus of trained personnel (British and Sri Lankan) to East Africa have affected production and management. Recently the Asian Development Bank has given \$12m for the modernisation of tea factories and training of personnel.

Eggs cost more

Financial Times Reporter

EGG PRICES are going up by up to 4p a dozen next week because of increased demand. Aspekman for Goldenlay, Britain's largest egg farmer co-operative, said it was moving for prices to rise as people ate more eggs with the onset of cold weather.

Sizes 1, 2 and 5 will rise 2p a dozen next week, sizes 3 and 6 by 3p a dozen, and size 4 by 4p a dozen.

Copper falls on Asarco talks

BY JOHN EDWARD, COMMODITIES EDITOR

COPPER prices fell back on the London Metal Exchange yesterday following news that Asarco—one of the big three U.S. producers still shut down by the copper workers strike—was resuming talks with the unions next week for the first time since October 9.

Resumption of negotiations came at the request of Federal mediators, but the pressure on Asarco to reach a settlement has been intensified by agreements reached

by several of its other big competitors, including the tentative pact by Newmont Mining (Magma Copper) last weekend. Among the big companies, Kennecott and Phelps Dodge have returned to work.

Meanwhile it was confirmed by Nippon Mining in Tokyo that negotiations are under way between Anaconda and seven Japanese copper smelters on the supply of copper concentrates from the U.S. on a long-term contract basis. Anaconda announced

recently it would supply Japan with 380,000 tonnes of ore annually from its three mines in the U.S. following the closure of its refineries due to pollution controls.

In Lima it was reported that workers at the Toquepala copper mine had ended a 15-day strike.

Copper cash wirebars closed \$9.75 lower at \$843.75 a tonne on the London Metal Exchange. Tin also fell, with the cash price losing \$50 to \$6,700 a tonne — the lowest level for 13 months.

Poland has delivered 80 tonnes of silver to the Swiss market in the first nine months of this year—the bulk coming in April to June—up from 42 tonnes in 1979 and 59 tonnes in 1978. The higher silver price is thought to have encouraged increased Polish production. But the shipments may also partly reflect the country's economic difficulties. Shipments are also up from North Korea so far this year, to 54 tonnes from 40 tonnes in the whole of 1978.

September saw the release of considerable silver hoards from the Middle East, with the Lebanon and the United Arab Emirates from them bringing in over 19 tonnes to the Swiss market.

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USSR purchases silver

BY DAVID MARSH

THE SOVIET UNION has entered an important purchaser of silver from the Zurich market this autumn. Swiss Customs figures show that the Russians imported 8.3 tonnes of silver worth SwFr 7.9m (\$1.9m) from Switzerland in September, following imports of nearly 23 tonnes in August.

The August shipment was the first significant delivery to Russia recorded this year. The Soviets imported about 16 tonnes a year in 1979 and 1978, the first time such transfers had shown up in Swiss statistics for at least 10 years.

Soviet purchases on the silver market have been rumoured lately, and were said to be partly responsible for the rise in the price through the \$20 per

ounce level during the last month or so. The price has since drifted down to just below \$20.

The Soviet Union itself is an important silver producer, with most of its output being used for domestic consumption. Bullion dealers have been somewhat mystified by the increase in Russian imports. It is assumed that the shipments to Moscow have reflected a short-fall in domestic production or an increase in consumption for jewellery or industrial use. But it is not entirely ruled out that the Soviet bank in Zurich trades in gold and silver, may have been purchasing silver as part of a dealing operation.

The Swiss figures also highlight other Eastern Block activity. Poland has delivered 80 tonnes of silver to the Swiss market in the first nine months of this year—the bulk coming in April to June—up from 42 tonnes in 1979 and 59 tonnes in 1978. The higher silver price is thought to have encouraged increased Polish production. But the shipments may also partly reflect the country's economic difficulties. Shipments are also up from North Korea so far this year, to 54 tonnes from 40 tonnes in the whole of 1978.

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COMMODITIES AND AGRICULTURE

Rally in sugar values

By Our Commodities Staff

WORLD SUGAR values rallied yesterday afternoon with the March position on the London futures market ending the day \$4.525 higher at \$413.65 a tonne.

This week's sugar price recovery began on Tuesday after the March position had slipped to \$4.000 a tonne. It has been influenced by Iranian buying and talk of further Russian demand.

Yesterday influential sugar statisticians F. O. Licht said Soviet sugar crop prospects were in the area of improved harvesting conditions in recent weeks.

In his latest market review Licht quoted a Pravda report which admitted the USSR sugar harvest might well be "one of the worst in years."

In New Delhi meanwhile Indian Agriculture Minister Mr. R. V. Swamiothian was reported to have said that India would import no more sugar this year.

The Minister said there would be no additions to the 200,000 tonne already imported by India this year. The imports were caused by drought-hit local production of only 3.9m tonnes in the year to September 30 compared with 5.8m tonnes in 1978-79.

Spain in EEC by 1984 citrus importers told

By a Correspondent

SPAIN NOW expects to enter the European Economic Community towards the end of 1983, the Spanish Ambassador to London, the Marques de Perinat, told British citrus importers.

The ambassador speaking at a reception to launch the 1980 Spanish citrus season said talks had been going on in London recently between Spain's Minister of Agriculture, Sr. Lamo de Espinosa, and his British counterpart, Mr. Peter Walker, on tariff arrangements and the safeguarding of third countries' interests.

Sr. Julio de Miguel, president of the Valencia-based Citrus Management Committee, said that the Spanish crop of just under 3m tonnes this year was slightly heavier than last season's. Sales abroad of about 1.8m tonnes, worth some \$700m, would make Spain the world's largest citrus exporter.

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Sr. Julio de Miguel, president of the Valencia-based Citrus Management Committee, said that the Spanish crop of just under 3m tonnes this year was slightly heavier than last season's. Sales abroad of about 1.8m tonnes, worth some \$700m, would make Spain the world's largest citrus exporter.

Spain in EEC by 1984 citrus importers told

By a Correspondent

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UK CEREALS

The benefits of spring barley

BY JOHN CHERRINGTON, AGRICULTURE CORRESPONDENT

FOR MANY years I made a modest living growing spring barley and milking cows. In the past few years the returns were not spectacular, but then neither were the stresses on the farmer—me. Once you employed a good cowman on piecework and left him to it, the cash flow always seemed to grow. The farming machinery without bothering the bank manager too much.

When the cows went for reasons of family strategy, the absence of the monthly milk cheque was more than I could bear, and I replaced 100 cows with about the same numbers of sheep. The results seem to be about the same.

Spring barley growing was and is quite a simple job. But then the returns are nothing like as spectacular as from wheat and winter barley grown with every modern artifice of seed, fertiliser and chemicals.

On some fields my spring barley yields grown over a long run of years varied between 28 cwt an acre in a bad year to more than 2 tonnes in a good one. The results were more dependent on the summer's climate than on any other factor.

My original reason for adopting this sort of husbandry was because I took over land where there was no water for livestock and therefore no point in growing. Hampshire, there were no really viable break crops like the sugar beet, potatoes and vegetable crops which are available to farmers in other parts of the country. There is an alternative in grass seed, but this is a crop very vulnerable to bad weather and to market fluctuation which makes it a real gambler's enterprise and only to be recommended in very small doses. More significantly spring barley was the only crop that did not seem to need rotation.

I did not grow wheat except after a break crop such as grass and I did not grow winter barley for the simple reason that there were no satisfactory varieties on the market. In any

case it was considered immoral to do so for fear of carrying over the disease. In the past few years the returns were not spectacular, but then neither were the stresses on the farmer—me. Once you employed a good cowman on piecework and left him to it, the cash flow always seemed to grow. The farming machinery without bothering the bank manager too much.

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| Craigmont Unit Yst. Mgrs. Ltd. | | | |
|--------------------------------|------|------|------|
| Buckleybury, London EC4N 8BD. | | | |
| High Income | 26.5 | 39.8 | -0.3 |
| North American | 26.5 | 60.1 | 1.34 |
| Canadian Exempt | 62.3 | 65.9 | 1.57 |
| Canadian Trust | 62.7 | 67.7 | 2.22 |
| Mid Mount High Inc. | 57.4 | 52.8 | 0.20 |
| U.S. Trust | 57.4 | 62.7 | 0.38 |

| | | |
|--|------|-------|
| Weekly closing share prices of the 1000 UK listed investment funds | | |
| Abbey Unit Trst. Mgmt. (a) (c) | | |
| Abbey Amer. Inv. Trst. (a) (c) | 2.91 | +0.01 |
| Abbey Bond Trst. (a) (c) | 2.91 | +0.01 |
| Abbey Equity Trst. (a) (c) | 2.91 | +0.01 |
| Abbey Growth Trst. (a) (c) | 2.91 | +0.01 |
| Abbey Income Trst. (a) (c) | 2.91 | +0.01 |
| Abbey International Trst. (a) (c) | 2.91 | +0.01 |
| Abbey Life Trst. (a) (c) | 2.91 | +0.01 |
| Abbey Multi-Asset Trst. (a) (c) | 2.91 | +0.01 |
| Abbey Real Estate Trst. (a) (c) | 2.91 | +0.01 |
| Abbey Risk Trst. (a) (c) | 2.91 | +0.01 |
| Abbey Social Trst. (a) (c) | 2.91 | +0.01 |
| Abbey Sustainable Trst. (a) (c) | 2.91 | +0.01 |
| Abbey Technology Trst. (a) (c) | 2.91 | +0.01 |
| Abbey Water Trst. (a) (c) | 2.91 | +0.01 |
| Abbey World Trst. (a) (c) | 2.91 | +0.01 |
| Abbey Yield Trst. (a) (c) | 2.91 | +0.01 |
| Abbey Zero Carbon Trst. (a) (c) | 2.91 | +0.01 |
| Abbey ESG Trst. (a) (c) | 2.91 | +0.01 |
| Abbey Climate Trst. (a) (c) | 2.91 | +0.01 |
| Abbey Carbon Trst. (a) (c) | 2.91 | +0.01 |
| Abbey Green Trst. (a) (c) | 2.91 | +0.01 |
| Abbey Impact Trst. (a) (c) | 2.91 | +0.01 |
| Abbey Social Impact Trst. (a) (c) | 2.91 | +0.01 |
| Abbey Environmental Trst. (a) (c) | 2.91 | +0.01 |
| Abbey Human Rights Trst. (a) (c) | 2.91 | +0.01 |
| Abbey Labour Rights Trst. (a) (c) | 2.91 | +0.01 |
| Abbey Gender Equality Trst. (a) (c) | 2.91 | +0.01 |
| Abbey Diversity Trst. (a) (c) | 2.91 | +0.01 |
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| Abbey Justice Trst. (a) (c) | 2.91 | +0.01 |
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Treasury favours adherence to 14-month aim in spite of M3 growth

Re-based monetary target unlikely

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE GOVERNMENT looks likely to retain its present monetary target until next year rather than seek a partial relaxation of the current squeeze by re-basing the target at the current high level.

The retention of the current target is favoured by Treasury Ministers and officials most directly concerned with monetary policy, though a final decision has not yet been taken. An announcement will probably not be made until the expected general election statement towards the end of next month.

The issue is being watched closely by City financial markets, and the likely decision will be presented as a re-affirmation of the Government's commitment

to the targets in its medium-term financial strategy.

The decision about the target is particularly difficult in view of the recent rapid monetary growth and the distortions caused by the ending of the control on the banks' operations.

The current target is for a 7 per cent to 11 per cent annual rate of increase in sterling M3, the broadly defined money supply, for the 14 months from last February to next April. But in the seven months to September the increase was 23 per cent at an annual rate. Even if some adjustment is made for distortions arising before February, the underlying growth rate is still estimated

by the Treasury at 19 per cent a year.

If the Government followed previous practice and re-based its target at the current level, it would be building the recent excess growth into a higher starting base. This acceptance of past excess, known as base drift, would amount to a relaxation of policy.

Treasury Ministers believe this would produce charges of fudging and would question the credibility of the strategy. Consequently, they prefer to retain the present February base and try to reduce the underlying rate of monetary growth nearer to the target range by next April.

Sir Geoffrey Howe, the Chancellor, said on Monday that he

hoped the monetary growth rate would be more modest in the latter part of 1980-81 because of a moderation in both public and private sector borrowing. This belief is shared by the Bank of England.

Even on the most optimistic assumptions the underlying rate of monetary growth still looks likely to be above the upper end of the range by next April. But the hope is that any excess will be much smaller than now and that it will then be possible to move to a 6 to 10 per cent target annual increase for 1981-1982, as implied in the medium-term strategy.

The main alternative to retaining the present 14-month target to next April is to extend the target to a 20-month period to

October, 1981, though this is at present regarded by officials as too cumbersome.

Sir Geoffrey indicated on Monday that the final decision on the nature or timing of the roll-forward of the target will not be taken until "a little more information" is available about the development of monetary conditions since July.

In particular, officials are already starting to scrutinise the October monetary figures, due to be published next Tuesday. City analysts have in the past week become more pessimistic about the figures, in view of the distortions on the statistical reporting day. The increase in sterling M3 last month is estimated at between 1 and 2 per cent.

UDS plans merger of menswear chains

By David Churchill, Consumer Affairs Correspondent

THE UDS retailing group is to close 110 High Street shops, about a quarter of its total number of menswear stores, with the loss of 500 jobs.

It also plans to merge its two separate menswear chains, Jobo Collier and Alexandre, which will in future trade solely under the name John Collier.

Mr. Collier, the trading name of Claude Alexandre, will also be replaced by John Collier.

The main shopworkers' union, the Union of Shop Distributive and Allied Workers, said last night it was "very concerned" at the move and planned urgent talks with management to find ways of reducing the number of jobs lost.

But the company's decision to reduce its commitment to menswear retailing caused little surprise in the retail trade given the problems over the past year for retailing in general and clothing in particular.

Last month UDS reported interim pre-tax profits down from £10.04m to £2.05m with about £3m of the fall due to the depressed demand for clothing.

The menswear division is understood to have made a trading loss, while the womenswear side of the company only managed to break even.

The company's problems which have been shared by its high street competitors Burtons and Jigsaw, have mainly been due to the sharp slump in sales this year.

The latest official Government statistics for menswear sales, covering the second quarter of the year, show that some 582,000 suits were sold, compared with 772,000 in the first quarter of the year.

The hefty 7 per cent VAT increase in June of last year pushed up prices in the clothing trade and started to depress demand. Also the mild winter and cold summer weather over the past year has meant that the wrong type of clothes have been on offer. This year's recession has taken a further toll.

Cheap imported suits have added to the burden on UK clothing manufacturers. Last year the total number of suits imported to the UK rose by over a fifth to 2.6m. Some, notably from Romania, sell for as little as £10 which is less than the cost of materials to UK manufacturers.

The industry's problems have led to substantial clothing factory closures and job losses. UDS closed its Middlesbrough factory at the beginning of the year with the loss of 550 jobs.

Hepworth results, Page 24 and, Lex

Reagan adviser resigns over business charges

BY JUREK MARTIN, U.S. EDITOR IN WASHINGTON

MR. RICHARD ALLEN, chief foreign policy adviser to Mr. Ronald Reagan and a candidate for the national security adviser's job in any new Republican Administration in the U.S., yesterday resigned his campaign post in the wake of allegations of past and present conflicts of interest involving his private business activities.

Mr. Allen, Mr. Reagan's chief of staff, said that Mr. Allen was withdrawing "to remove this matter as a possible issue in the campaign." He added that Mr. Allen retained "the full confidence" of the Republican challenger, Mr. Allen has said the accusations against him are "shot through with holes."

The trigger to Mr. Allen's decision was clearly an article in Tuesday's Wall Street Journal. This amplified earlier charges about Mr. Allen's connections, while still serving in the Nixon White House, with Mr. Robert Vesco, the fugitive financier, and Japanese businessmen, to whom the Journal alleged, he passed confidential information about U.S. trade policy in return for a promise

of a subsequent consulting job. It also noted that Mr. Allen was still being retained as a consultant by the Japanese company, Nissan, parent of Datsun, at a time when the level of Japanese car imports in the U.S. was causing political concern here.

It is the timing, rather than the substance, of the Allen case, that may be unfortunate for Mr. Reagan's campaign. There is no suggestion that Mr. Allen's problems, any more than the much more publicised case of Mr. Billy Carter, the President's brother, will affect electoral opinion when the nation votes on Tuesday.

But Mr. Reagan emerged from Tuesday's televised debate with President Jimmy Carter in an upbeat mood, apparently convinced that the Presidency was in his sights. He has taken off across the country, hammering home his attack on the President's economic policies, while Mr. Carter is out elsewhere, accusing Mr. Reagan of being misguided on foreign policy, social and racial issues.

But the thrust of Mr. Reagan's campaign could be blunted by the first taint of scandal in his

entourage. It is likely to dominate, for a critical day or two, news coverage of his activities and put him, and his staff, inevitably on the defensive at precisely the moment when they need to attack.

Mr. Carter and his adept campaign team will undoubtedly not let pass the opportunity to suggest that this raises doubts about those with whom Mr. Reagan surrounds himself—and therefore the candidate's own judgment.

Yesterday, campaigning in Texas, Mr. Reagan's staff insisted that Mr. Allen's departure made no difference, since alternative foreign policy advice was not in short supply.

The candidate tried to turn the tables by accusing the Carter Administration of wrongdoing of its own. He said that once again the President had "blamed" economic statistics by delaying publication, until late on Wednesday, of the news that the Federal Budget deficit in the fiscal year had been \$59bn (£24.2bn), the second highest on record.

Campaign reports, Page 6; Wall Street and the Election, Page 30

Visa in travellers cheque link with TSB

By Alan Friedman

VISA, THE international banking group originally founded to co-ordinate credit card acceptability, is expanding its UK travellers cheque operations through the Trustee Savings Bank, TSB, already a member of Visa International, to issue its own sterling cheques from Monday.

The travellers cheques, which will carry the TSB logo and the Visa symbol, will be available in denominations ranging from £10 to £100 at 1,600 TSB branches in the UK.

Mr. Tom Bryans, chief general manager of TSB Central Board, said the scheme would be administered by the Central Trustee Savings Bank on behalf of the TSB group. "The decision to become an issuer of its own travellers cheques is in keeping with the rapid development and expansion of the group's banking services."

The move by TSB follows a similar one by Barclays Bank last January.

Both UK banks have joined the Visa group in a worldwide battle for a share of the travellers cheque market, estimated by Mr. Bryans of TSB to be worth more than £12bn.

When Visa launched its attack on the world market last year it announced hopes of achieving an initial 10 per cent market share worldwide by persuading at least one leading bank in every major country to issue its cheques.

American Express is acknowledged to be the world market leader in travellers cheques with a share in excess of 50 per cent.

Weather

UK TODAY
DRY with sunny periods, early fog.
England, Channel Islands, Borders, Isle of Man
Dry with sunny periods. Max. 14C (57F).
SW England, Wales
Mainly cloudy. Max. 12C (54F).
SW Scotland, Orkney, Shetland, Ulster
Cloudy. Drizzle. Max. 10C (50F).
Outlook: Mainly dry and sunny. Rain in some places.

WORLDWIDE

| | Y'day | Today | Y'day |
|----------------|-------|-------|----------------|
| Algeria | 19 | 66 | L. Pims. F. 23 |
| Algiers | 19 | 70 | L. Pims. F. 23 |
| Amman | 19 | 60 | L. Pims. F. 23 |
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| Yokohama | 19 | 60 | L. Pims. F. 23 |

Total hormones ban sought by EEC

BY LARRY KLINGER IN BRUSSELS AND RICHARD MOONEY IN LONDON

A COMPLETE ban on the use of hormones to promote growth in farm animals for human consumption is being proposed by the European Commission.

The move follows consumer boycotts in Italy, France and Belgium this autumn of meats suspected of containing hormones, especially beef, and the subsequent decision by EEC Farm Ministers at the end of September to instruct the Commission to prepare proposals on the issue by the end of the year.

The proposed ban, if endorsed by EEC farm ministers, could have far-reaching effects for the livestock industry.

Natural and synthetic hormones are widely used to stimulate animal growth in the intensive cattle and poultry sectors (though synthetic hormones are banned in the UK). The ban would give a severe

knock to profit margins. Hormones are also used to manipulate breeding patterns of dairy cows and sheep; but it is not yet clear whether these applications would be affected.

Consumer organisations have long claimed that hormone residues in food are a danger to human health.

The recent scare has mainly been over injection of hormones, which presents the greatest risk of residues remaining in food for human consumption. But they can also be applied as implants (usually behind the ear or in some other non-consumable area) or in animal feed.

The European Bureau of Consumers' Unions says that in recent Italian court decision banning some veal products, cases of abnormal growth in children were attributed with "near-certainty" to hormone

injected meat. The bureau also says that there is a "suspicion" that some hormone-treated meat may cause cancer.

The commission will present to farm ministers, almost certainly at their next council meeting on November 10 and 11, a proposal that a ban on the use of all hormones, both synthetic and natural, be imposed from January 1.

It is also proposed that offences against the ban would be punished by the confiscation and destruction of any affected live animals or meat.

Hormones are often administered to farm animals to increase their weight through the retention of extra water. In calves, for example, weight can be boosted by up to 25 per cent with a cut in feeding costs of up to 15 per cent. Pressure can be expected on

some Ministers from farm organisations whose members depend on hormone use to sustain output, with specific feed costs. There is also likely to be opposition from some countries which may feel that their own national control schemes could be replaced by a weaker community compromise.

Consumer-protection and other pressure groups and the commission say that, while most member countries have laws controlling hormones, their rules differ widely on design of the drugs and their application. Furthermore, they say, the techniques for detection now available are too costly except for spot checks.

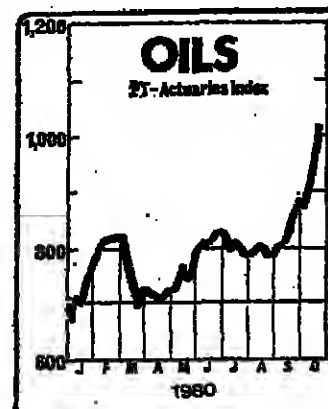
In the UK, Meat Industry representatives said last night that they thought new rules on hormones would take "years" to implement because of the complexity of the issue.

THE LEX COLUMN

Cash constraints at Coats

The F.T. Actuaries sector index rose to the 1,000 mark has been won by oils, which cruised to 1015.93 yesterday leaving the electricals sector—until recently a fancied runner—beaten at around the 950 mark. Although oil share prices were going nowhere very much during the summer, in a period when crude oil was moving into surplus and spot prices were on the slide, the Iran/Iraq war has transformed the picture. With around 4m barrels a day of crude oil production removed by the war, and less than 2m barrels of extra liftings elsewhere, there is a real prospect of further rises in crude prices, and downstream margins should benefit too. Judging by the revival in value of products like naphtha. In the past two months, the oils sector index has risen by more than a quarter.

Index fell 0.4 to 492.8



the dividend. At any rate, the disposals will allow a first half increase in net debt to be unwound by the end of the year and prevent any further rise in the interest charge, although the company warns that it may find itself facing a clawback of stock relief. Pre-tax profits for the year may be about £52m, excluding property gains, producing a prospective p/e of 7.3, fully-taxed, supported by a yield of 10.7 per cent.

Coats Patons

Coats Patons has taken a leaf out of the book of some retailers and is resorting to sale and leaseback deals to shield its profit and loss account from the worst ravages inflicted by sterling. The appreciation of the pound so far this year has reduced first-half trading profits by £7.3m, solely on currency translation, and the full year effect will total about £11m if sterling stays at present levels. Under this pressure, a £4.4m decline in pre-tax profits to £26.7m at the halfway stage underlines a resilience that few other major UK textile companies will display this year. The share price rose 11p yesterday to 56 1/2p.

Nevertheless, excluding the surplus of perhaps £11m on property disposals, pre-tax profits this year will be running at only three-quarters of the 1978 level and two-thirds of that in 1977.

Abroad, volume has been broadly maintained, and price rises have improved trading margins in local currency terms. But in the UK there has been a sharp volume decline in the April-June quarter, and the percentage of trading profits from this source is now running well below the 22 per cent achieved last year.

So with a tax charge threatening to exceed current cost profits, a rising proportion of Advance Corporation Tax that cannot be offset, and profits remaining hard to remit from some countries, the cash from the sale and leaseback may well come in handy to finance

with a deteriorating tradelog trend relieved only by some healthy bargain-hunting at the July sales.

Since August, apparently, demand has continued to weaken right across the country. Hepworth does enjoy a few advances this year, in that it will be getting the benefit of loss elimination on the manufacturing side, while it may be able to increase market share as rivals like UDS pull out, and Turner will contribute for a full year. Barring a recovery in consumer confidence, however, it is hard to see Hepworth avoiding another profits fall this year.

So the main reason why the shares have hit a 1980 high and yield just 5.6 per cent at 100p is that British Land is providing with a stake of just under 5 per cent. Its intentions are unknown but Hepworth's network at book values, is around 180p a share.

Glaxo

Glaxo's accounts show that the return on capital last year slipped below 20 per cent for the first time in at least a decade, and its pre-tax margin on sales of 10.7 per cent is also lower than for a very long time. It is also investing heavily in fixed assets and product development. Capital spending last year exceeded the current cost depreciation charge by 45 per cent, research and development costs rose to 8.1 per cent of sales (up from just over 6 per cent two years ago), and a lot of money is being poured into the U.S. to expand the group's rather small base.

In common with other pharmaceutical companies, Glaxo's high returns of the mid-1970s are beginning to look little more than fond memories, as product development costs become more onerous. But some measure of recovery should be possible over the next few years, Glaxo is putting considerable resources behind the launch of some important products in the U.S. and Japan. It is also making intensive clinical trials on its anti-leukemia drug, Rantidine, which are said to be going well.

The chairman says that heavy development expenses in the U.S. will last for another year or two, and will ultimately "change the dimensions of the group." Meanwhile, Glaxo will do well to show much improvement this year. But contrary to recent stock market rumour, its balance sheet does not look like that of a group which is about to launch a rights issue.

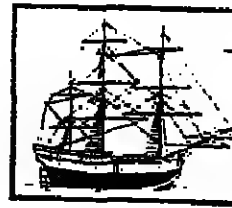
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